

# FINANCIAL TIMES

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D 8523 B

Businesses feel  
the pinch  
in Mexico, Page 5

## NEWS SUMMARY

### GENERAL

#### Castro accuses U.S. of death plot

Cuba's President Fidel Castro accused U.S. President Ronald Reagan of plotting to kill him and other Cuban leaders.

He was speaking on the first day of the New Delhi summit meeting on 99 non-aligned nations.

Indian Premier Indira Gandhi, who took over from him as the group's chairman, called for a major restructuring, with an early conference on money and finance for development, and for nations to send their heads of state to this autumn's United Nations general assembly in New York. She criticised arms expenditure and appealed to Iraq and Iran to end their war.

The White House last night denied the allegation.

### China presses issues

China said it would override Soviet objections by raising the issues of Afghanistan and Kampuchea at Moscow talks to improve Soviet-China relations.

### Jews attacked

Soviet weekly Literaturnaya Gazeta said that a secret international network of millionaire Jews financed Israel's invasion of Lebanon.

### Lebanese takeover

Lebanese Army took control of access to an illegally run section of Beirut's port.

### Oil man kidnapped

Colombian gunmen shot dead two bodyguards of American oil executive Kenneth Bishop, who works for a Texaco subsidiary, and kidnapped him.

### Greek-U.S. talks

Greece and the U.S. resumed talks on renewing an agreement on American military bases in Greece.

### Unfit for trial

An Iranian student supporter of the present regime, accused in Frankfurt of attacks on other Iranians, accused his jailers of brutality in their efforts to stop him appearing in court naked, with a safety pin sealing his lips. He was declared unfit to plead.

### Industrialist's suicide

Italian police said Mario Lebole, 58, chairman of the troubled Gioiello clothing company, shot himself dead in the head at Arezzo, in Tuscany.

### Bulawayo quiet

Bulawayo, the centre of support for Zimbabwe Opposition leader Joshua Nkomo, who is in hiding, was quiet yesterday, though troops and police were in force.

### Norwegians injured

Twenty Norwegians were being treated in hospital for injuries after weekend clashes near Oslo with British marines, who have been on military exercises there.

### Briefly

Bangladesh: New cholera outbreak in south has killed at least 30. More than 100 were feared drowned after crowded motorboat overturned in Rupsa river.

Tennis: Davis Cup results included Australia 4, Britain 1 - Argentina 3, United States 2 - Paraguay 3, Czechoslovakia 2.

Igor Markevitch, 70, Russian-born composer and conductor died in Antibes, following a heart attack.

Cathy Barberian, U.S. mesothelioma, died in Rome after a heart attack.

### BUSINESS

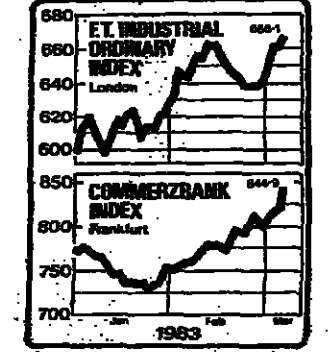
#### Australia devalues dollar by 10%

AUSTRALIAN dollar was devalued by 10% last night, with immediate effect.

The move was followed by the suspension of all foreign exchange transactions in New Zealand until the Government decides what action to take concerning the New Zealand dollar.

BRAZIL has agreed to drop its request for a delay on a \$400m repayment, now to be made a week from today, on a \$1.2bn loan from the Bank of International Settlements made in December. BIS-member central banks strongly objected. Page 18. The BIS is to lend Yugoslavia \$300m immediately, with \$200m more when arrangements for security are settled. Page 3.

DOLLAR fell to DM 2.391 (from DM 2.604), was unchanged at FF 6.27, and rose to FF 6.827 (FF 6.82) and SwFr 2.045 (SwFr 2.044). Its Bank of England trade-weighted index slipped from 119.9 to 119.5. Page 36.



STERLING rose 0.5c to \$1.5175, to FF 16.36 (FF 16.215), SwFr 5.165 (SwFr 5.065), and Y38.5 (Y38.7), but fell to DM 3.63 (DM 3.64). Its trade-weighted index closed at 73.6, as on Friday. Page 36.

GOLD rose \$9 in London to \$421.5. In Frankfurt it rose \$7.75 to \$420.25, and in Zurich by \$6.5 to \$419.5. Page 33.

LONDON: FT Industrial Ordinary index rose 5.8 to 6861. Government Securities showed gains averaging more than a quarter of one per cent. Page 28. FT Share Information Service. Pages 34, 35.

WALL STREET: Dow Jones index closed up 0.73 at 1,141.71. Page 28.

TOKYO: Nikkei Dow Index edged up 4.13 to 8,041.15. Stock Exchange index went up 1.23 to 592.47. Pages 31, 34.

HONG KONG: Hang Seng index improved 28.31 to 1,013.65. Pages 31, 34.

AUSTRALIAN all-shares index rose 0.9 to 512.4. Pages 31, 34.

FRANKFURT: Commerzbank index went up 22.5 to 844.9. Pages 31, 34.

JAPAN'S Finance Ministry plans to issue ¥1,000bn (\$47bn) of 10-year national bonds at 98 per cent. Page 20.

CUBA will resume talks this week about rescheduling its \$1.2bn foreign debt, with a group representing 100 banks.

SRI LANKA has reached agreement with the IMF for an extended fund facility of about \$200m.

INDIA has finally made a move to end the 14-month strike in Bombay's 60 textile mills by calling in militant union leader Dr Datta Samant. Page 6.

SUEZ CANAL record was set on Sunday when 67 vessels totalling 2,160 tonnes (daily average is 1,220) paid \$5m in dues.

MONSANTO, the U.S. chemical group, and Montedison, the Italian chemical company, are to exchange European synthetic fibre interests in a bid to stem heavy losses. Page 18.

## West German shares soar in wake of election

# French franc under pressure

BY JEREMY STONE IN LONDON, DAVID MARSH IN PARIS AND STEWART FLEMING IN FRANKFURT

WEST GERMAN share prices soared and the French franc fell sharply yesterday as European financial markets reacted to Chancellor Helmut Kohl's convincing general election victory.

In Frankfurt the Commerzbank index showed its sharpest rise for more than 22 years. The index now stands at 844.9, its highest since October 1978 and 10.7 per cent higher than at the beginning of the year.

The French franc came under heavy attack as speculators piled into the D-Mark amid widespread expectations that EEC governments would soon decide on a realignment of the European Monetary System, ratifying a fall in the franc/D-Mark exchange rate.

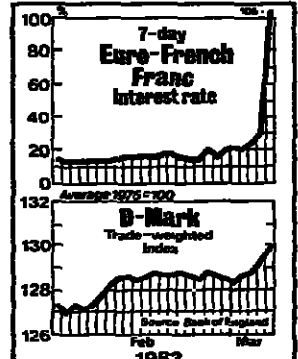
Despite fears that any agreement on oil prices would be undermined by Iran, sterling did not come under heavy pressure yesterday. It closed unchanged in London with an effective exchange rate of 79.5 against the Bank of England's trade-weighted basket of currencies.

The dollar, also on the sidelines, lost some ground to close at an effective rate of 119.5 - half a point lower than on Friday. The dollar lost 1.3 pence in London to close at DM 2.3910.

In London the FT Industrial Ordinary index rose 5.8 to close at a record 6861, fuelled by mounting optimism about the prospects for world economic recovery. Better-than-expected wholesale price figures also gave firmness to the government securities market, particularly in longer dated gilt-edged stocks.

Intervention by the Bank of France to support the franc yesterday morning was estimated to have cost at least \$200m and perhaps as much as \$500m in an hour's heavy trading. "The bank was like a boxer taking punches on all sides," one Paris dealer said.

Then the Bank changed its tactics, at about 10am, temporarily



withdrawing from the ring. The D-Mark shot up to its EMS ceiling of FF 2.8935, up 2.2 per cent from its opening rate. Dealers said that for a few minutes the D-Mark broke out of the EMS system to be quoted, amid great confusion, around FF 2.90.

Later the foreign exchanges

calmed, and with operators taking profits by buying francs, the French currency firmed without need of more central bank support. The D-Mark closed in Paris around FF 2.85, still showing a rise compared with Friday night of about 0.8 per cent.

A key factor behind the franc's recovery was the very sharp rise in interest rates on Eurofranc deposits in international banking centres. The Bank of France intervened directly, using banks in foreign centres to drive up the rates to between 100 and 200 per cent for overnight money, while rates as high as 120 per cent were quoted for one-week money. Even for the one-month position, rates were seen at about 60 per cent.

This action, making short positions in the franc punatively expensive to finance, helped drive big institutional operators like multinational companies into buying back francs during the afternoon. Dealers

accorded some grudging admiration to the manoeuvre, saying that the central bank had behaved very professionally.

Pressure is almost certain to build up against the franc and other weak EMS currencies before the weekend, as dealers defend themselves against a possible realignment.

Realignments normally take place at the weekend, as the EEC finance ministers can then reach a decision while all markets are shut.

Nevertheless, some are prepared for a realignment to be announced at any moment.

In early New York trading the French franc, which closed in London at 6.827 to the dollar, was being quoted at FF 6.82. The D-Mark had strengthened further, at DM 2.3883, while sterling had retreated to \$1.5110, down 65 points from the London close.

Market reports, Page 29

## Election may lead to Mauroy reshuffle

BY DAVID HOUSEGO IN PARIS

FRANCE'S Socialist Government, which suffered a damaging reverse in the first round of the municipal elections on Sunday, yesterday began to rally its supporters in a bid to limit its losses in the second round next Sunday.

The unexpected scale of its setback is seen as hastening a reshuffle of the Government of M. Pierre Mauroy, the Prime Minister, possibly leading to the replacement of M. Mauroy himself. He has in any case been expected to step down before the end of the year. In conjunction with the victory in West Germany of Chancellor Helmut Kohl, it was also seen as making inevitable a devaluation of the franc in the near future accompanied by new restrictive measures to curb France's trade deficit and inflation rate.

The franc fell to its floor of FF 2.8935 against the D-Mark in hectic trading yesterday morning.

The Government, however, is determined to avoid a realignment and a tightening of policies before the second round of the poll next Sunday. Dealers believe that the most likely dates for a currency realignment are, therefore, the weekends of March 20 or 27.

President Mitterrand would like a strong revaluation of the D-Mark to minimise a franc devaluation, which in the short run is regarded as adding unnecessarily to France's



M. Pierre Mauroy

import bill. The French Cabinet is, however, divided over how severe the accompanying austerity package should be. A strong lobby within the Socialist Party favours fresh cuts on imports which would be unacceptable to West Germany.

The final results of the first round gave the opposition neo-Gaullist RPR to M. Jacques Chirac, mayor of Paris and the centrist UDF of former President Giscard d'Estaing an absolute majority of the votes. They scored 51.5 per cent as compared with the 46.3 per cent in the first round of the last municipal election in 1977.

M. Chirac's party did better than M. Giscard d'Estaing's and M. Chirac

himself scored a personal victory in capturing the opposition 18 of the 20 districts of Paris in the first round.

The Socialists, Communists and their allies on the left saw their share of the vote drop to 46.5 per cent from the 50.8 per cent they scored in the first round in 1977. The Communist vote dropped sharply in the former party strongholds in the Paris region and in the Rhone valley.

Already the left has lost control of 18 towns of more than 30,000 inhabitants in the first round. M. Lionel Jospin, the First Secretary of the Socialist Party, said before the election that losses of 15 towns would be "normal". Total losses after the second round, when 68 of the 221 towns with populations over 30,000 are involved in run-off fights, could be between 30 and 50 according to commentators yesterday.

Normally in French elections, the second round contest amplifies the trend in the first round.

Comments by opposition leaders were restrained yesterday with M. Giscard d'Estaing declaring that France "breathes again". The opposition does not want to cry victory too early, but a further success next week could well provoke renewed demands for the dissolution of the National Assembly. Mr Mitterrand has said he would refuse this.

## Allied Irish to pay \$150m for majority stake in U.S. banks

BY OUR DUBLIN CORRESPONDENT

ALLIED IRISH Banks, Ireland's biggest banking group, is to acquire a majority interest over the next five years in First Maryland Bancorp at an estimated cost of \$150m.

The investment would be by far the largest ever made by an Irish bank, and would rank among the top half-dozen foreign purchases of U.S. banking groups.

First Maryland Bancorp is the holding company for First National Bank of Maryland, the 77th largest bank in the U.S., with assets of \$3.5bn. It has 127 branches in Maryland and offices in New York, Washington, Chicago and Pennsylvania. It is also a recognised bank in London.

FMB has a total staff of 3,418 with assets of \$3.33bn and an average after-tax profit of 16.1 per cent during the past five years.

AIB, which has assets of over Ir£8bn will purchase a 43 per cent interest in First Maryland Bancorp over the next four years. The Irish Bank is initially to make a tender offer to acquire 1.6m shares from the stockholders of First Maryland at \$35 a share. This is expected to be completed by the summer.

In addition, First Maryland will issue 800,000 new shares directly to AIB at \$40 a share.

During the next four years, First Maryland will sell an additional 1m new shares to AIB at prices between 100 per cent and 115 per cent of book value per share. AIB estimates the probable total cost of these purchases at approximately \$150m.

This is by far the largest investment decision by any Irish banking group and represents the fifth largest investment by any foreign group in a U.S. bank.

AIB's chief executive, Mr Patrick O'Keefe, said the investment "positions the group for the future when the world climbs out of the present recessionary trough."

He admitted that current U.S. bank regulations could impose a ceiling of 24.9 per cent on AIB's share of the U.S. bank's voting rights, but he expressed confidence that this was a difficulty that could be overcome in the short term by AIB's holding the proportion of FMB stock over the 25 per cent mark in convertible non-voting form.

Lex, Page 18

## Iranian obstacle to Opec unity bid

By Richard Johns and Ray Daffer in London

THE ORGANISATION of Petroleum Exporting Countries (Opec) will again try to agree today on lower prices and production quotas in the face of tough Iranian opposition to the broad consensus reached last week. The attempt will be aided by apparent Nigerian willingness to raise its prices after its heavy cuts a fortnight ago.

Informal consultations between eight of the 13 Opec members last week settled on a new oil reference price for Saudi marker crude of \$29 to \$30 a barrel compared with the present \$34, and a ceiling on collective output of 17.5m b/d for the rest of the year.

This compares with an 18.5m b/d limit agreed in December, but with actual output a low as 13.5m b/d at the end of last month.

The full ministerial meeting, scheduled to begin in London last night, was postponed until today for the arrival of Mr Mohammad Gharazi, Iran's oil minister.

Iran's refusal to accept a \$4 to \$5 cut in the present reference price of \$34 per barrel and its demand that Saudi Arabia be limited to a quota of only 3m b/d, is the major obstacle to an agreement.

Sheikh Ahmed Zaki Yamani, Saudi oil minister, is understood to have been instructed by King Fahd to hold for 6m b/d. Riyadh would probably settle for 5m b/d but senior delegates believe production would have to be limited to no more than 4.5m b/d if there were to be any chance of reaching an agreement with Iran.

Saudi Arabia's ceiling, in force for nearly a year, is notionally 1m b/d but as a result of its adherence to the \$34 reference the rate has slumped to little more than 4m b/d.

Mr Gharazi said yesterday Iran would "never" agree to a cut in the reference, even if other members consented to an allocation considered satisfactory by the Tehran regime, which wants an output of 3.2m b/d, rather more than it is believed to have been producing recently.

Iran, which has recently been asking only \$27 a barrel for crude equivalent to the Arabian light marker, is determined to reduce drastically the level of Saudi output. Various proposals on production sharing have all given Saudi Arabia 5m b/d and Iran only 2.25m b/d, according to one senior delegate.

On the positive side, one of the stumblingblocks previously facing an accord on a new price structure was said to have been removed by

Continued on Page 18



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## EUROPEAN NEWS

## Left takes a drubbing in first round of France's municipal poll clash

BY DAVID HOUSEGO IN PARIS

THERE COULD be no more dramatic image of the humiliating reversal suffered by the Left in the first round of the French municipal elections than the crumpled face of M. Lionel Jospin on television late on Sunday. The first secretary of the Socialist Party was trying both to conceal his disappointment and to rally his dispirited troops for the second round next Sunday.

M. Jospin suffered a double blow. He headed the Socialist and Communist list of candidates in the sprawling 18th arrondissement in the north of Paris—a mixed area but with a strong working class and immigrant population—and which he represents as deputy in the National Assembly.

The opposition made a calculated bid to topple him and put up M. Alain Juppé (38), a quiet but able Inspector de Finance, who has been in charge of Paris's finances. He is a close colleague of M. Jacques Chirac, the mayor, and spokesman on the economy for M. Chirac's neo-Gaullist RPR.

Even two weeks ago, M. Juppé was admitting that there had been a swing back to the government. Yet he defeated M. Jospin outright in the first round, gaining a staggering 53.8 per cent of the votes against his opponent's 35.1 per cent.

It was an outcome that neither of them had anticipated

—but that could also be said for the results in a great many municipalities which swung to the opposition at the weekend. The second blow to M. Jospin was at national level. He inherited the party leadership from M. Mitterrand who built up its organisation from modest origins to the successful machine that won the presidency in 1981. It is now split into factions that reflect the quarrels within the Govern-

ment over social and economic policy. Sunday's election showed that it has lost steam as a vote-winning mechanism.

The swing against the Left was nationwide. The Communists, Socialists and their allies, polled 46.5 per cent of the vote—less than the 47 per cent that M. Pierre Mauroy, the Prime Minister, defied two months ago as "the low watermark" of the Left. This compares with the 51 per cent they

obtained in the last municipal elections of 1977 and the 54 per cent they won in the second round of the 1981 presidential election.

The contrast and right-wing parties—combining the RPR and the UDF of former President Giscard d'Estaing—can once again claim to be in a majority having polled 51.5 per cent. The Socialists did least well in the largest cities where votes

are most determined by national issues and where there are growing problems of violence and race. All but two of the 30 districts in Paris have gone to the opposition and these are likely to fall in the second round. In traditional Left-wing strongholds like Marseilles, or the northern conurbations around Lille, the Socialists have suffered unexpected setbacks.

By contrast, the Socialists have hung on to control of smaller towns like Bourges, Thionville, Reanne, Poitiers and Chartres where the personality of the mayor carries more local weight.

The Communists appear to have fared worse—in particular in the so-called "Red" belt around Paris—though it is not always easy to separate out their vote from that of the Socialists in the combined lists. But their weakness inevitably raises questions about their

own strategy and about their future role in the coalition.

Of the opposition parties, it was the RPR which gained the most striking successes, heading the winning list where the Right won outright in towns like Grenoble (a Socialist bastion for 15 years), Brest, Rheims, Nantes, Epinal and Avignon. In sweeping up Paris, M. Chirac scored a personal triumph inevitably putting him ahead of M. Giscard d'Estaing

and former Prime Minister Raymond Barre as future presidential candidates.

The full reasons for the turnabout are still not clear. M. Philippe Tesson, editor of the right-wing *Le Quotidien* but forward on explanation which is bound to be much repeated as the opposition attempts to persuade M. Mitterrand to water down his programme.

It is that M. Mitterrand was not elected to carry out radical change and that he has gone too far with Socialist policies like nationalisation. The Left does seem to have lost the backing of the professional and salaried classes whose support it largely had in 1981.

Mr Jospin blamed the reverse on the unpopularity of governments during a recession and on the unpleasant decisions they have to take. Though the Government did see its popularity drop after last June's prices and wages freeze, it has suffered steadily from a loss of confidence in its economic management and from the impression that it has no clear sense of direction in economic policy.

A further reason for the Left's reversal is probably that a great many middle-of-the-road voters do not like Communists in the Government. This will have to be a factor in M. Mitterrand's calculations as he plans his strategy for the legislative elections in 1986 and the presidential contest in 1988.

W. Germany markets boom, Page 3

## Bank's intervention tactics switch has dealers in spin

BY DAVID MARSH IN PARIS

WHEN THE French franc came under heavy pressure in the European Monetary System, in the aftermath of poor results for the Socialists in cantonal elections last March, it took three weeks for it to slide from its central point to its floor in the scheme against the D-Mark.

Yesterday morning, in the wake of the swing to the Right in both West Germany and France in Sunday's elections, the same move took place within a few minutes. Up to shortly before 10 am, heavy purchases of francs and sales of U.S. dollars by the Bank of France kept the franc steady at around FFf 2.8355 to the D-Mark, similar to Friday's level and just below

its EMS mid-point of FFf 2.8336. Then, in a dramatic switch of intervention tactics which took dealers by surprise, the Bank of France withdrew its support at this level and the franc quickly dropped 6 centimes to its floor of FFf 2.8285. At the same time, the franc dropped to FFf 6.90 to the dollar from FFf 6.83.

Pressure on the franc was reflected in a sharp increase in Eurofranc interest rates which soared to more than 100 per cent for very short-term rates.

"People panicked," said one dealer yesterday. "Everyone started to sell francs." Some dealers interpreted the sudden withdrawal as a sign that the Government was allowing the franc to float freely outside the

EEC currency stabilisation scheme (as President Valéry Giscard d'Estaing did when he pulled the franc out of the "snake" seven years ago). The Bank of France was forced later in the morning to affirm reassuringly to the exchange market that the franc was staying in the EMS.

Officials yesterday explained that the switch of tactics was a deliberate move to allow the franc to descend to its EMS floor—where central bank intervention is obligatory. The sudden drop gave currency operators the chance to realise quick profits by buying back francs, which thus took immediate pressure off the currency.

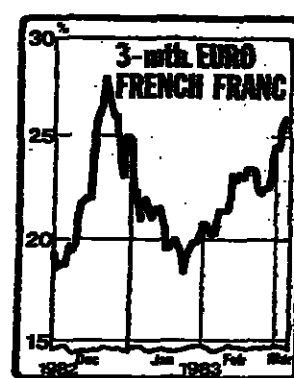
More importantly, it allowed the French authorities to draw on the unlimited EMS mutual

support facilities provided by the European Monetary Cooperation Fund (EMCF). This mechanism, under which central banks borrow currency from each other for repayment after a maximum period of about seven and a half months, comes into effect only when member currencies reach their EMS limits.

The French Finance Ministry reaffirmed yesterday the Government's commitment to the EMS and said the franc would not withdraw. There is no doubt, however, in the minds of currency dealers and even some officials that a realignment will have to take place. The only questions—complicated ones—are on the timing, sizes of the expected revaluation of the D-Mark (accompanied probably

by the guild) and the devaluation of the French franc (along with, probably, other "weak" currencies like the lira and the Danish krona), and the scale of any accompanying anti-inflation measures from the French Government.

Until the realignment is decided, the French authorities have plenty of currency reserves in hand to support the franc. Following the full drawing of \$600 in loans from the Euro-market and from Saudi Arabia, currency reserves at the end of January totalled about FFf 40bn. Intervention towards the end of February was depleting the stocks by about FFf 6bn a week, but currency support can now be financed by EMCF drawings.



Crucially, yesterday's French franc plunge to its D-Mark floor imposes an equal obligation on the West German Bundesbank to defend the French currency (as well as the Belgian franc and the Danish krona, which are also at their D-Mark limits) through selling D-Marks.

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## World fair for Paris moves step forward

BY OUR PARIS CORRESPONDENT

PREPARATIONS FOR the World Exhibition to be held in Paris in 1989 have taken a step forward with the unexpected nomination by President François Mitterrand of M. Gilbert Trigano, president of Club Méditerranée, to be the chief executive.

The idea of holding another world exhibition in Paris—the first was held in 1889 and the most recent in 1937—was launched some five years ago by M. Marcel Dassault, the aircraft manufacturer. He saw it initially as a way of encouraging crafts and, later, of promoting jobs and exports. The project was enthusiastically taken up and enlarged by M. Mitterrand after he became President as a fitting way to commemorate the 200th anniversary of the French Revolution.

In choosing M. Trigano to manage the exhibition, M. Mitterrand evidently has in mind the need to make it a commercial success and to provide accommodation for the 65m visitors expected. Initial estimates put the cost at around FFf 30bn (£2.8bn) including the transport infrastructure.

Ambitious plans are already being drawn up for two large

exhibition sites in Paris. One will be on the west bank of the Seine down stream from the Eiffel Tower and close to the Mirabeau and Garigliano bridges. The other, to the east, will embrace a large area also bordering the Seine and adjacent to the Tolbiac district. One proposal is to construct here a mediaeval style bridge across the river that will incorporate parts of the exhibition.

The massive public works programme involved has already attracted criticism on the grounds of cost and of burying Paris under concrete. But it is only part of the building plans that M. Mitterrand has initiated for Paris.

Others include a new opera house at the Bastille, a science and technical museum at La Villette where a park is also to be created, the enlargement of the Louvre by including what is now the Ministry of Finance and the transformation of the Gare d'Orsay into a museum on the Left Bank.

Club Méditerranée said yesterday that M. Trigano would not necessarily step down as chairman. He is, expected, however, to move from the company in a few months.

## Irish body wants controls on investment incentives

BY HAZEL DUFFY IN DUBLIN

THE Industrial Development Authority of Ireland is calling on the European Commission to exercise control over the proliferation of incentives, some of them hidden, which are being used by EEC countries to attract investment projects.

Mr Padraic White, the IDA managing director, is particularly concerned about the "increasing abuse of public sector purchasing policy which could lead to a distortion of free trade and influence investment policies which would be against EEC principles."

He maintains that some development agencies are suggesting that the public sector purchases of their governments and state bodies will be influenced strongly by the decision of a company to locate a plant in that particular country.

A recent example cited by Mr. White is that of the Scottish Development Agency which hinted strongly that the National Health Service would be likely to buy from a foreign company if it located in Scot-

land, thus satisfying the NHS's preference for "buying British."

The IDA has been one of the most successful European agencies in attracting investment by foreign-owned companies. Competition for such projects has always been intense, but the recession and the growing pressure on governments to provide new jobs is increasing the competition.

The Irish claim that all of the incentives they offer have been the subject of discussions and agreements within the EEC, but that some of the incentives being offered elsewhere do not come into this category. The failure of the EEC to put a limit on sector and regional aids, maintains Mr. White, is now leading to the "proliferation of zones of varying degrees of attractiveness, and sometimes to needless competition."

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In addition the Financial Times publishes a monthly summary of Quotations and Yields from the Association of International Bond Dealers.



## Yugoslavia secures first part of \$500m loan

By Peter Montagnon in Bonn

The Bank for International Settlements yesterday agreed to lend Yugoslavia \$300m immediately with a promise of \$200m to follow once final arrangements for collateral are in place.

The six-month loan is a key part of the \$4.5bn international rescue package being arranged for Yugoslavia to help it through problems servicing its \$1.9bn foreign debt.

It has been delayed for several weeks because of problems with collateral affecting the \$300m portion that is to be secured by Yugoslavia's gold reserves. The \$200m made available yesterday is guaranteed by member central banks of the BIS.

The collateral problem arose because Yugoslavia had first to obtain authorisation from creditor banks to pledge its gold to the BIS. Such an authorisation is required under so-called "negative pledge clauses" in existing agreements with commercial banks which do not enjoy the benefit of gold collateral in their loans.

Yugoslavia has had to ask its commercial bank creditors to waive such negative pledge clauses. It is hoped that not all such waivers are yet formally in place, although senior central bankers said yesterday that all banks involved had now agreed verbally to waive the clauses.

The decision to go ahead with the loan marks an end to one of the most difficult negotiations ever undertaken by the BIS. Yugoslavia met strong opposition from member central banks when it asked for a three-year loan last autumn.

The BIS lends only short-term money in the form of bridging finance. This transaction for Yugoslavia is intended to tide it over until an expected drawing of about \$600m from International Monetary Fund.

Yugoslavia badly needs the cash to see it through until tourist revenues start to flow in two to three months' time. These revenues are a vital part of the country's foreign exchange cash flow, and some central bankers are now worried that the country's well-publicised economic problems could put a damper on a tourism business this year.

## Belgian bank risks triggering row over jobs

By Giles Merritt in Brussels

KREDIETFRANK, the major Belgian clearing bank, has risked triggering a political furor in Brussels by questioning the country's chances of a return to full employment by 1990.

In a special report entitled "Full Employment in 1990", Kredietbank has laid emphasis on the economic growth targets that Belgium would need to meet if its present EEC record-holding jobless rate is to be reduced from its present 706,000-plus unemployed (around 15 per cent), to the level of 90,000, which could be considered "full employment".

In doing so, Kredietbank has given credence to the unthinkable possibility that Belgium's unemployment rates may be frozen around their present levels.

In what is otherwise a tentative analysis of the effects of high structural unemployment on Belgium's deficit-ridden finances, Kredietbank economists have pointed out that the country needs to achieve during the 1980s an annual 1.7 per cent growth in employment.

This, they say, would require not only an expansionist 3 per cent economic growth rate, but also a potentially dangerous slowdown in productivity.

## Polish Communists warned about persisting pro-Solidarity action

By Christopher Bobinski in Warsaw

THE POLISH Communist leadership has warned its members that a steady undercurrent of pro-Solidarity activity still persists in the country.

This warning comes as the Government is wracked with debate on how to cut personal incomes in line with the meagre supply of goods to the shops without provoking a popular outburst.

A telex sent daily by party headquarters in Warsaw to the 49 provincial centres reveals that one day last week officials were reporting "expressions of hostile activity in 14 provinces" — less than last year but still considerable.

Meanwhile, a communiqué published at the weekend following an important ministerial meeting on the draft 1983 economic plan shows that growth in national income of 10.1 per cent to 11.7 per cent is envisaged.

## ANTI-MISSILES FIGHT TO CONTINUE IN AND OUT OF PARLIAMENT

# Greens promise more direct action

By James Buchanan in Bonn

WEST GERMANY'S Greens, party of pacifists and ecologists, which won 27 seats in the Bonn Parliament at Sunday's general election, made clear yesterday that its entry into the Bundestag would not make a halt to direct action for environmental and disarmament goals.

At a new conference in Bonn yesterday, Frau Maren-Griesebach, a member of the party executive, said that extra-parliamentary activity would "strengthen our influence inside Parliament."

In addition to their overriding aim of preventing new Nato nuclear missiles being stationed in West Germany they will also conduct a campaign both in and outside Parliament against a national census due to be conducted in April.

What is making some deputies of the other four political parties anxious is what Frau

Maren calls the "wholly new quality" that the Greens will bring to Bundestag business. The aim is to make government "transparent" to the public, said Frau Petra Kelly, a Bavarian deputy.

Herr Otto Schily, a West Berlin lawyer who will sit in the Bundestag, said one of the group's first acts would be to push for a parliamentary commission of inquiry into the so-called "Filek affair," where investigations are under way into contributions to the financing of the established parties.

The Greens will also seek to make public the proposed sites for the Pershing 2 and Cruise missiles which West Germany is due to receive if U.S.-Soviet disarmament talks fail. Until the governments in Britain and Italy, the present and former Bonn Governments have refused to publish the sites,

Whether the Greens deputies will also publish other committee work on security matters they take part in was not clear. "We are leaning towards making public everything that is of interest to the public but we will stay by the law," Herr Schily said.

Another problem is whether the Greens' decision to rotate their deputies half-way through their four-year term to prevent bourgeois tendencies developing is constitutional.

Although the party said it was ready to co-operate with the opposition Social Democrats "on substantive issues," it is clearly dejected by the clear victory achieved by the Government parties on Sunday. "Apart from the Greens' result," said Herr Rainer Trampert, the party executive spokesman, "I would call the election result catastrophic."



Frau Kelly: "Transparency"

## West German financial markets boom in wake of election result

By Stewart Fleming and John Davies in Frankfurt

A WAVE of euphoria swept through the West German financial markets yesterday in the wake of Herr Helmut Kohl's convincing victory in the general election on Sunday.

In spite of the strong gains which bond and share prices recorded in the previous three weeks in anticipation of this result, prices in the bond market firmed and the stock market boomed. In what one dealer described as the heaviest trading in his eight years on the Bourse, the Commerzbank index soared 22.6 points to a new peak for the year of 844.9.

It was the biggest jump since the 35.5 point gain on July 4, 1980, a time when foreign investors were rushing to benefit from the post-war economic upswing and D-mark revaluation prospects.

Frankfurt's elation added to the problems facing the French

Government in Paris. On the currency markets the D-mark surged in response to both Chancellor Kohl's election victory and the growing conviction that the West German currency will have to be revalued within the European Monetary System.

The strength of the D-mark is one factor which is seen as pressing the Bundesbank to take further steps to ease its monetary policy.

The D-mark rose to 2.36 against the dollar early yesterday morning but was fixed at midday at DM 2.3920 compared with DM 2.4198 on Friday.

The weakness of the domestic economy, falling inflation rates and the strength of the balance of payments current account, plus hints from the Bundesbank about pushing interest rates down, are all put forward as reasons to expect the central bank to cut its Lombard and

discount rates from the current 6 per cent and 5 per cent

In the money markets, short-term rates fell around 10 basis points to 5.75 per cent for overnight money, and the average yield on government securities fell to 7.30 per cent compared with 7.44 per cent on Friday and 7.75 per cent at the beginning of the year.

However, it was the stock market that saw the real fireworks.

"People were buying everything—even shares which we consider to be of rather low quality," one dealer said.

There was also some profit-taking from institutional investors, mainly in Britain and the U.S., which had placed selling orders last week in anticipation of a strong rally. However, the mood to buy was so strong that the market readily absorbed selling orders.

## Widespread relief expressed in the West at Kohl's clear victory

REAGAN ADMINISTRATION officials were openly jubilant yesterday about the Conservative victory in West Germany.

Their favourable comments focused mainly on the election's implications for Nato missile deployment and the strengthening of the alliance. But they also pleased that the election had brought back a government whose attitude to economic issues was close to that of President Ronald Reagan, writes Anatole Kaletsky in Washington.

Above all, there was relief that the voters had made a clear choice. One of the State Department's biggest worries had been a very close election, which might have left both the main parties unable to form a strong coalition and leave the country "unmanageable."

While Herr Helmut Kohl's victory removes some of the external pressure on the U.S. in the intermediate-range nuclear arms talks in Geneva, Washington officials predict that a compromise with the Soviet Union will now be easier to achieve. Because Moscow can no longer hope that U.S. missile deployment in West Germany will be blocked by public opinion in that country, it will have a much greater incentive to make genuine concessions.

The U.S., too, is considered more likely to shift from its single-minded insistence on the "zero option," which requires the Soviet Union to eliminate all its medium-range missiles in Europe. A new U.S. proposal, calling for a reduction in the number of some Soviet missiles in Europe, but not their

total elimination, is likely to be presented soon, U.S. officials say.

● Moscow: Concern that the result will strengthen the U.S. hand at the intermediate missile negotiations in Geneva was the dominant theme of initial Soviet reaction, writes Anthony Robinson. The semi-official Novosti press agency said the result was the consequence of playing with the fears of the unemployed, "but by no means should serve as an indication of weakened mass opposition to plans for deployment of U.S. nuclear missiles."

At the same time it warned the incoming government that the Soviet reaction "would not be hard to guess if it attempts to shield itself from a drastic and mutually acceptable solution of the problem with some intermediate options being prepared in Washington."

The Soviet Union openly supported the West German Social Democrats in a way which tarred Herr Hans-Joachim Vogel as "Moscow's candidate" and provoked protests about interference in West German internal affairs. Moscow had hoped that a Social Democrat victory would delay indefinitely introduction of the new missiles.

● Brussels: Chancellor Kohl's resounding victory was greeted yesterday with deep satisfaction in both Nato and the European Community as strengthening the Western position on intermediate nuclear missile deployment and clearing the way for progress on other lesser issues, writes John Wyles.

Within Nato some diplomats thought that Moscow might take a more "constructive" line in the Geneva talks on intermediate nuclear force disarmament now that there is a newly elected government in Bonn committed to deploying cruise and Pershing missiles if the negotiations fail.

Others, however, doubt that the Soviet Union will show any real flexibility until Nato's five European members actually begin deploying the missiles in the last quarter of the year.

Meanwhile, EEC officials are expecting a more consistent performance over the next three months from the West German presidency of the EEC's Council of Ministers.

Electoral politics has dominated his handling of the presidency since the start of the year. In the remaining three

months, it is hoped within the Commission that Bonn will start to grapple with such issues as the restructuring of its steel industry in line with EEC objectives and with possible measures to add to the Community's budget revenues.

Of greatest immediate interest will be the identity of the Minister for Agriculture. Herr Josef Ertl, the FDP minister who held the job for more than a decade, is expected to step down. If he is replaced by a Christian Democrat, West Germany is expected to take a more restrictive line on EEC farm spending.

● London: The result provides a useful flip to Mrs Margaret Thatcher, the British Prime Minister, in what is almost certain to be an election year, writes John Hunt. It is seen as a vote of confidence in Herr

Kohl's determination to instal cruise and Pershing missiles on West German soil. This provides useful support for the Conservative Government's plans to site the missiles in Britain.

It comes at a critical time when the Government is mounting a large-scale campaign to counteract the massive publicity which the Campaign for Nuclear Disarmament has received for its demonstrations against cruise and its demands for unilateral nuclear disarmament.

Mrs Thatcher also sees the return of Herr Kohl with his insistence on sound money — a victory for the same type of anti-inflationary policy.

● Paris: The French Government expressed immense relief yesterday at seeing an administration emerge in Bonn with a clear majority, writes David

Housheer. France's fear had long been that the West German election would produce an indecisive result and that, for the first time since the war, there would be a weak and divided government across the Rhine.

The additional blessing is that Herr Kohl and President Francois Mitterrand see eye-to-eye over the deployment of intermediate range missiles in Europe.

But against these factors must be set the fear that the negotiations over the serious outstanding economic issues—put on ice during the election period—are likely to prove more difficult with a conservative Christian Democrat administration.

With yesterday's plunge of the French franc, the most immediate of these problems is

a realignment within the EMS where the French hope that West Germany will take the bulk of the strain by revaluing the D-Mark.

● Rome: The Italian Government is pleased and relieved, Sig Emilio Colombo, the Foreign Minister, said yesterday, writes James Buxton. The West German electorate has "rejected the attempt by the East bloc to influence them on the fundamental problem of common defence," he said.

The Italian Government would have been in a difficult position if the Social Democrats had won, since Italy is firmly committed to the installation of cruise missiles on its soil and was afraid of being isolated in continental Europe, with the risk that the small Italian peace movement would have received a boost.

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## Venezuela denies loan request in IMF talks

BY KIM FUAD IN CARACAS

DR ARTURO SOSA, Venezuela's Finance Minister, was due to meet International Monetary Fund representatives in Caracas yesterday, just 48 hours after postponing talks in New York with international banks on refinancing the country's \$9.2bn short-term public sector foreign debt. On his arrival home from New York, Dr Sosa denied reports that Venezuela would ask the IMF for a \$1.2bn loan, a possibility he had posed at the end of January to foreign bankers in Caracas as refinancing efforts faltered.

Venezuela could draw up to \$1.2bn from the IMF almost automatically without conditions being imposed. Venezuela's paid-in subscription to the IMF stands at \$338m, and it has another \$440m in special drawing rights.

Dr Sosa expressed optimism that successful refinancing of the short-term public sector foreign debt could be achieved over the next 90 days. He is reportedly expected to return to New York later this month to meet with an advisory group of 12 major banks to continue refinancing negotiations.

Dr Hermann Soriano, Venezuela's investment fund president, said over the weekend that Venezuela expects \$750m in loans from the Inter-American Development Bank over four years to finance agricultural and energy developments. Earlier, Srta Maritza Izaguirre, Planning Minister, said Venezuela could get between \$200m and \$300m from the IDB in agricultural credits, but this would require lengthy negotiations.

Srta Izaguirre also said Venezuela might seek the use of U.S. Government commodity credits to acquire wheat, sorghum and other imports up to a value of \$500m.

Dr Sosa also denied reports that he had said that private sector debts—which have been estimated at between \$6bn and \$8bn with \$4bn falling due this year—could be repaid at 4.3 bolivars to the dollar.

The three-tier exchange rate put into effect a week ago has led to a major controversy. Initially, the Government said the preferential rate of 4.3 bolivars to the dollar would be applied both to public and private foreign debt, but later the Government limited private sector use to debt which had been rolled over for four years.

William Chislett examines the problems confronting a beleaguered and disillusioned private sector

## Mexico's gung-ho businessmen feel the pinch

"WE WERE all gung-ho because of Mexico's massive oil reserves and large undeveloped consumer market. Everybody expanded their businesses. Now we are all lying low and counting the cost."

Mr Colin Brown, the Scottish manager of Mexatlan, the Mexican branch of the UK consumer goods group Reckitt and Colman, summed up the bitter feelings of many foreign and Mexican businessmen.

The Mexican private sector, which accounts for about 40 per cent of the Gross Domestic Product of an estimated \$170bn, is reeling under the country's liquidity crisis, high inflation rate, heavily devalued currency, large debts and partial exchange controls.

Mexatlan, 100 per cent owned by Reckitt and Colman, is a microcosm of the depressed private sector. The company, like many others, made its first loss in 12 years in Mexico last year—a figure which, as the company is not quoted on the Mexican Stock Exchange, it was not prepared to divulge.

The profits of 35 major companies reporting earnings for the first nine months of 1982 declined on average by 46 per cent in real terms, according to the authoritative publication Mexican Business and Investment.

Year-end results are expected to be worse because the peso declined more sharply in the last quarter of 1982 and

accentuated foreign exchange losses.

Five of the 35 companies made losses including Chrysler de Mexico, which made a loss of 2.5bn pesos (\$35.7m at the then prevailing exchange rate of 70 pesos per dollar). Mexatlan, the largest airline company, made an estimated loss of 2bn pesos (\$13.6m based on the year end exchange rate of 150) for the whole of 1982, its first in 15 years. "We are facing a critical situation," said a car industry executive.

Mexatlan's production line of household goods like shoe polish and laundry cleaner has been halted by the lack of imported materials.

The company has great difficulty obtaining dollars for essential imports, even those dollars which it is entitled to receive at the controlled rate of 104 pesos per dollar. The free rate is 150 pesos per dollar. "We have wasted hundreds of hours on paperwork chasing

dollars at the controlled rate," it says. Mexico's hard currency reserves are at a precariously low level, and as a result Mexatlan, like many companies, has been forced to buy dollars on the free market.

Some companies are so pushed for dollars and cannot get them in Mexico that they are buying them at over 160 pesos per dollar in the U.S. side of the 2,000 mile-long open border between the two countries. A "Yankex" peso market has developed, with U.S. tourists often the suppliers of some of the dollars. Mexicans also have an estimated \$14bn in U.S. bank accounts, very little of which has been repatriated.

Mexatlan even went to the length of exporting its first-ever shipment of honey (Reckitt and Colman has food interests) to the UK last week in order to secure dollars for imports at the more favourable controlled rate.

Under Bank of Mexico regulations, companies which export can use some of the proceeds, after they are changed into pesos in the state banking system, to buy dollars at the controlled rate. Mr Brown, of Mexatlan, is still sceptical that he will get any "controlled" dollars because he says that none of his colleagues have although they are regular exporters.

Export earnings have to be changed into pesos at the controlled rate whereas the great majority of imports are done at the free rate. This policy is being fiercely attacked by businessmen who say it gives them no incentive to export.

Government economists counter this kind of remark by stating that the peso exchanged at the controlled rate, which is slipping against the U.S. dollar by about 14 cents a day, is deliberately undervalued to make Mexican non oil exports competitive.

The successive devaluation blows have pushed up enormously the cost in peso terms of servicing company debts. Even Mexatlan's relatively small external debt of \$2m is "pinching," said Mr Brown.

According to the Mexican brokerage house Estrategia Bursatil, the external debts of the 103 most actively traded companies on the Mexican Stock Exchange were, at the end of September last year, an average 1.03 times more than the net worth of these same companies.

In other words, these major companies owe more than they are worth. The total debt of the private sector is \$14bn.

Mexatlan's sales were down 5 per cent in January, its first drop in years. The company, which employs 180 people, expanded its overall production by 12 per cent last year after 25 per cent a year in 1980 and

1981 when nobody believed that the "Mexican oil miracle" could go sour.

The government of President Miguel de la Madrid, which took office last December, is now beginning to turn its attention to the private sector. The main points of its programme are:

● The Bank of Mexico will implement by May its scheme to enable companies to buy dollars at subsidised rates to restructure principal.

Dollars are also now being made available to keep the private sector interest payments current after five months of arrears.

● Tax relief is being given including the lowering of import duties on essential raw materials.

● Foreign investors will be encouraged to bring in more equity capital to prop up ailing joint ventures and to set up new concerns in Mexico by allowing majority foreign control.

● Depressed domestic demand will be stimulated by the public sector making more purchases at home this year than purchases abroad.

Despite all the problems, Reckitt and Colman has no intention of pulling out of Mexico. "We are not going to walk away from a large market like this," said Mr Brown. "We will just have to keep our head down until the country recovers."

## U.S. discount brokers show revenue increase

BY RICHARD LAMBERT IN NEW YORK

TOTAL REVENUES of discount stockbrokers in the U.S. climbed to nearly \$450m (£229.4m) in 1982, more than twice their 1979 level, and their share of retail brokerage commissions climbed from 4.5 per cent to 8.4 per cent over the same period. Their share of U.S. retail business could now be around 15 per cent.

The figures, published in a new analysis by the U.S. Securities Industry Association, help to explain why large numbers of U.S. commercial banks and thrift institutions are now pushing into the discount brokerage business. Not one major bank offered discount-brokerage services at the start of 1982, but 12 months later, nearly 600 banks and thrifts had announced plans to enter the business.

The study says that, since May 1979, when fixed commission rates were abolished in the U.S. securities industry, commissions charged on deals for big

institutional investors by established brokerage firms have fallen to roughly one-third the rate charged to retail investors.

As a result, discount brokerage firms have been set up to offer cut-price services to private investors, and the study says that dealing costs through a discount are roughly 40 to 70 per cent below the 1975 fixed rate level.

The analysis shows that discount brokers are much more reliant on commission income than traditional full-line firms, which tend to have diversified into new areas. Commissions only accounted for 24 per cent of overall industry revenue in the first nine months of 1982, but for the discounters the proportion was over 60 per cent.

This makes their earnings more volatile than those of other firms, the association says. But their profitability has been impressive, with an after-tax return of 15.6 per cent in 1982.

## UN task force on Bolivian aid sets date for talks

BY HUGH O'SHAUGHNESSY

THE UN inter-agency task force convened by Sr Javier Pérez de Cuellar, the UN secretary-general, to give emergency aid to Bolivia is to hold its first discussions with the Bolivian Government on April 6-8 in La Paz.

The Government of President Hernán Siles Zuazo has accepted all the recommendations made in a report on the economy drawn up by Miss Margaret Anstee, assistant secretary-general for technical co-operation, who visited Bolivia in December at the invitation of the Bolivian authorities.

The task force is expected to arrange financial assistance from international financial institutions for Bolivia's foreign debt servicing. This is put at more than \$1.4bn, equivalent to 133 per cent of expected export earnings this year. Such assistance would open the way for a solution ending the delays incurred in paying foreign

private banks sums due on foreign debt servicing.

Congress in La Paz is examining the possibility of new legislation which in future would commit the country to service only those debts contracted by constitutionally elected governments. This would leave in limbo those foreign debts run up by military or other regimes which took power by coup d'état.

The U.S. embassy in La Paz is believed to have discreetly asked President Siles to push ahead faster with the task of neutralising narcotics traffickers who are still active.

It is unclear whether any government in La Paz could enforce its writ against the traffickers. The armed forces are infiltrated by rich drug dealers, and the traffic became the country's biggest export earner during the military government of General Luis García.

## Brazil raises target for inflation rate in 1983

BRASILIA — The Brazilian government has raised its target inflation rate for 1983 to between 85 per cent and 90 per cent from 70 per cent following the 23 per cent devaluations of the cruzeiro on February 18, documents released to the Press in Brasilia by the Finance Ministry show.

The revised target was in a February 24 letter to the International Monetary Fund, detailing alterations to the economic targets set out in a Letter of Intent to the fund on January 6 as conditions for \$4.6bn of emergency loans.

The inflation rate in 1982 was 99.7 per cent and at the end

of February was a year-on-year 104.3 per cent.

Following the devaluation, the Government resumed frequent mini-devaluations of the cruzeiro by between 1 and 3 per cent against the U.S. dollar.

The letter of intent said the rate of these in future would be at least equivalent to the rise in the cost of living. This policy and the 23 per cent devaluation should help create the conditions for the reduction and final elimination of export subsidies and import taxes, it said.

The 23.5 per cent devaluation should bring lower domestic real interest rates, it added.

Reuter

## Congress to consider job plan

SAN FRANCISCO — President Ronald Reagan said yesterday that he will ask Congress this week to approve tax credits for companies offering jobs to the long-term unemployed.

The plan, which he first mentioned in his State of the Union address in January, would per-

mit jobless workers to give up unemployment benefits, trading them for a voucher to be given to a new employer. The tax credit would be approved when a job was provided and the voucher was sent by a company to the Government.

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## OVERSEAS NEWS

## Non-aligned nations to seek changes in world economy

BY DAVID TONGE IN NEW DELHI

INDIA'S Prime Minister, Mrs Indira Gandhi, yesterday told the Non-Aligned conference in New Delhi that a fresh attempt to restructure the world's economic system and a major emphasis on disarmament would be the keynotes of India's three year chairmanship of the world's largest grouping of developing countries.

Her specific proposals at the opening of this week's summit of 89 countries in New Delhi included:

- A major debt restructuring exercise;
- A call for an early "conference on money and finance for development";
- A plea to all members of the United Nations to send their heads of state or government to this autumn's session of the U.N. General Assembly in New York.

She also called for suspension of all nuclear weapons tests and abandonment of the "untenable doctrine of deterrence".

Mrs Gandhi directly bracketed her two main concerns, saying that mankind "is balancing on the brink of the collapse of the world economic system and annihilation through nuclear war."

She emphasised the interdependence of rich and poor countries. Only a few in the developed nations realised that sustained social and economic development in the Third World was in their interest, she declared. "We ask not for charity or philanthropy but sound economic sense."

Mrs Gandhi pointed to the contrast between buoyant arms expenditure, now totalling around \$850bn (£433bn) annually, and a teetering world economy.

Her speech set out the approach which the developing world is likely to adopt when negotiating with the industrialised countries at the sixth session of the United Nations Conference on Trade and Development, to be held in Belgrade in June.

Her emphasis on the cost to the Third World of the past four years of "stagnation, of decline in the world economy" was in marked contrast to the short and crisp references she made to political issues.

Mrs Gandhi was applauded when she appealed to Iran and Iraq, whose representatives were present in the conference hall, "to end their tragic war."

## Bid to end textile strike

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government has finally made a move to end the 14-month-old strike in Bombay's 60 textile mills. The strike has already led to loss of production worth Rs 9bn (£582m) with 250,000 employees off work for more than a year.

The Government has now climbed down from its position that it would not hold talks with Dr Datta Samant, the militant trade union leader, who called the strike on January 19, 1982, and has started negotiations with him.

Dr Samant and Mr V. P.



Mrs Gandhi

She called for "early normalcy in Afghanistan," condemned Israel and South Africa, and opposed "the intensive militarisation of the Indian Ocean and the nuclearisation of the Diego Garcia base"—a reference to U.S. activities.

Her clear attempt to steer a middle course between Moscow and Washington was in marked contrast to the subsequent 110-minute speech by a uniformed President Fidel Castro of Cuba. This had at least 27 specific attacks on the U.S. and not one mention of the Soviet Union.

Half of his characteristically robust speech was devoted to setting out the problems of the poor and sick in the Third World. One million children in Africa could be saved from death each year if the world would spend on fighting malaria what it spends each 36 hours on weapons, he said.

## Tough stand on Liberal states in Australia

By Michael Thompson-Noel in Sydney

THE NEW Australian Labor Government is expected to take a tough stand with the two remaining Liberal states—Queensland and Tasmania—if they seek to defy Federal rulings.

In Queensland, the Government is expected to demand the granting of freehold land to aborigines, which could spark direct confrontation between Mr Bob Hawke, the Prime Minister-elect, and Mr Joh Bjelke-Petersen, the state's autocratic Liberal Premier.

In Tasmania, further bitter confrontation is inevitable over plans for a hydro-electric scheme in the south-west wilderness.

Mr Hawke is known to favour a more centralist form of Federal government, which could produce trouble on the issue of states' rights.

Mr Hawke has vowed to stop the A\$530m (£330m) Gordon River dam, whereas Mr Robin Ramsay, the Tasmanian Premier, says it will proceed.

Tasmania was the only state to resist the swing to Labor in last Saturday's general election, with the five sitting Federal Liberal MPs increasing their majorities.

The four remaining Australian states—New South Wales, Victoria, South Australia, and Western Australia—are all Labor-controlled.

Labor's promise to halt construction of the hydro scheme was one of the election promises that garnered votes on the mainland, if not in Tasmania, where its construction was expected to provide badly needed jobs.

Mr Bjelke-Petersen has claimed that Mr Hawke would be committing political "hara kiri," if he ordered a halt to work on the dam.

## Move to rationalise Japanese plastics sales

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

EIGHTEEN Japanese companies producing polypropylene and high and low-density polyethylene are expected to group themselves into four joint sales organisations under part of the Ministry of International Trade and Industry's (MITI) master-plan for rationalising the petrochemical industry.

The companies include two members of the Mitsubishi group as well as Sumitomo Chemical, Japan's second largest integrated chemical maker, and no fewer than three Mitsui group affiliates.

The joint sales companies that MITI hopes will be formed will serve to cut down on distribution costs, and reduce excess competition within what is acknowledged to be an over-populated sector of

the petrochemicals industry.

At some time in the future, it is hoped that individual producers who have entered joint sales organisations may withdraw from production of one or more of the three products involved and delegate production to other members of the same "club".

MITI's complex scheme for setting up joint sales organisations rather than forcing outright mergers in the Japanese petrochemical industry forms part of a two-pronged scheme for putting the industry back on its feet.

The second "prong" involves cutting production capacity by margins that have been pre-set for each individual product.

In the case of high and low density polyethylene, cuts of

36 per cent and 27 per cent in existing capacity levels were proposed in a report published last year by the Industrial Structure Council—a nominally independent body whose secretariat is provided by MITI.

The formation of joint sales companies in the petrochemical industry began early in 1982 when 17 competing manufacturers of polyvinyl chloride were persuaded to group themselves over eight months into four groups for sales purposes.

The restructuring of sales channels for polyethylene and polypropylene forms stage two of MITI's master plan for the industry.

At some time in the future "sales rationalisation" may take place among eight

companies producing polystyrene and four in the ethylene glycol business.

The aim of the rationalisation procedure, in each case, is to discourage cut-throat pricing of home-produced petrochemical products and to narrow the gap between Japanese and overseas petrochemical manufacturers by rationalising distribution costs.

The establishment of four sales channels for polyethylene and polypropylene in place of the 18 existing today is a second best in the view of MITI bureaucrats who originally hoped to see only three sales channels emerge in this sector.

The largest of the three—a grouping which would have comprised two Mitsubishi group companies as well as

Asahi Kasei and Showa Denko—was ruled out of court last week by the Fair Trade Commission—Japan's anti-monopoly watchdog—on the grounds that its prospective market share was excessive.

MITI's plans for the rationalisation of the Japanese petrochemical industry, through the formation of co-operative sales companies, have been drafted against the background of heavy losses by some of the companies concerned.

Mitsubishi Yuka, the largest petrochemical producer in the Mitsubishi group, last week announced a loss of ¥16.5bn (\$45.8m) reflecting low operating levels and high costs of raw material inputs. Sumitomo Chemical's loss was its biggest in 33 years.

## Zimbabwe Ministers attack Nkomo's party

BY TONY HAWKINS IN HARARE

ZIMBABWE Government Ministers stepped up their war of words against Mr Joshua Nkomo's Zanu party yesterday.

As the opposition leader went back into hiding in a "safe house" in Bulawayo, following the weekend ransacking of his home by government troops.

Mr Maurice Nyagumbo, Minister of Mines, and a powerful influence in the ruling Zanu-PF party, told a weekend rally that it might be necessary to ban Zanu.

Mr Emmerson Munangagwa, the Minister responsible for security, said it was time to eliminate the infrastructure that supported dissent in the country.

Reacting to Mr Nkomo's claim that his house had been ransacked and his chauffeur murdered, Mr Munangagwa said: "He's mad." Mr Enos Nkala, another Minister, said:

"Nkomo has turned out to be public enemy No 1."

There is growing speculation in Harare that the four Zanu Ministers still in the Cabinet of Mr Robert Mugabe may resign soon in protest against the harassment of Mr Nkomo and his top aides, many of whom are believed to have been arrested in the weekend clampdown.

Their departure would mark the final collapse of the cross-party alliance in government.

Officials in Harare are also concerned that the campaign against the dissidents, and the persistent media reports of atrocities committed by the North Korean-trained Fifth Brigade in rural Matabeleland, could jeopardise U.S. aid to Zimbabwe and foreign investment.

The country hopes to obtain a further \$75m in aid from Washington in the coming financial year.

Mr Nkomo has accused Mr Robert Mugabe, the Prime Minister, of "sending young people to kill me and my family." He appealed to the international community to "drive into Mr Mugabe's head that things cannot be handled in this way."

The Mugabe Government was determined to crush his party and establish a one-party state, he said—a view being expressed with increasing frequency by Government Ministers.

Reports from Bulawayo suggest that Mr Nkomo is constantly moving from one house to another to avoid the security forces.

Mr Justin Nyoka, Director of Information, said Mr Nkomo was aware of the incriminating evidence against him obtained by the police from captured dissidents.

Bulawayo was reported quiet yesterday but police and troops were out in force in the black

townships manning checkpoints and machine gun positions.

It was announced yesterday that several Zanu officials had been arrested at Beitbridge—the border post with South Africa—accused of recruiting "terrorists" for training in South Africa.

Giving details, Mr Enos Nkala (Minister of National Supplies) said a group of dissidents trained in South Africa, whom he accused of seeking to destabilise politics in Zimbabwe, were known to have crossed the border into Zimbabwe.

Mr Nkala repeated his call made last week for the "liquidation" of Zanu.

Reports of the ransacking of Mr Nkomo's home and the shooting of his driver, widely covered in the international media, were not published in Zimbabwe's daily newspapers yesterday.

## Lebanon takes over illegal dock

By Nore Bouzary in Beirut

THE LEBANESE Army yesterday took control of access to an illegally-run pier at the port of Beirut, in yet another step aimed at reasserting state authority over the site—virtually non-existent since 1976.

Christian militiamen of the Phalangite-dominated Lebanese Forces started visiting the area of the fifth pier inside Beirut's official harbour, in keeping with an army order to shut down illicit ports and clamp down on smuggling to allow export of goods yesterday.

Several hundred containers still had to be cleared, but a spokesman for the Lebanese Forces said new ships would be allowed entry until it was completely cleared.

## Jayawardene confident as Colombo prepares for today's budget

BY ALAIN CASS, ASIA EDITOR

JULIUS Jayawardene, Sri Lanka's 76-year-old President emerged yesterday from the non-aligned summit in New Delhi and announced confidently that his country had reached agreement with the International Monetary Fund on a standby-credit of about \$200m (£130m) as part of Western efforts to prop up its free-market policies.

Colombo, Mr Jayawardene's able Finance Minister, who today presents what may be the country's toughest-ever budget, said: "It wasn't quite like that."

His version is that there is still a gap between the IMF and Sri Lanka and that the two sides will meet in three weeks to tie up the loose ends.

These resolve, in essence, around the Fund's insistence that Sri Lanka devalues the rupee to around 26 to the U.S. dollar. Mr de Mel insists that the present exchange rate of around 23 to the dollar is "as far as we can go."

There is little doubt that the Fund and Sri Lanka will reach agreement. Mr Jayawardene was no doubt applying some of his cunning to give the process a little nudge on the way. Or, perhaps, he was merely pre-

judging the outcome.

Either way, he was demonstrating the self-confidence of an old fox who, having achieved at least some of what he set out to do, had acquired a virtually unassailable political position, doesn't much mind what he says as long as the record speaks for itself.

In similar vein he recently ruled out 20 MPs from his ruling United National Party (UNP) in order to get more opposition members elected. Mr Jayawardene's curious move followed the controversial referendum held at the end of last year, which he won handsomely, and which amended the country's constitution, allowing the President to extend the life of the present Parliament by six years.

Under considerable pressure from many, including members of his own party who questioned the morality of his move, he agreed that the Sri Lankan Congress Party (SLFP)—the main opposition party, was grossly under-represented in Parliament and set out to do something about it. Mr Jayawardene has assumed the role of a national father figure who guides, reprimands and hands out consolation prizes as he sees fit.

Under considerable pressure from many, including members of his own party who questioned the morality of his move, he agreed that the Sri Lankan Congress Party (SLFP)—the main opposition party, was grossly under-represented in Parliament and set out to do something about it. Mr Jayawardene has assumed the role of a national father figure who guides, reprimands and hands out consolation prizes as he sees fit.

"You're right," he said in a recent interview. "I want a pet parliament and a pet opposition. But I want it to be a domestic one. I want to get things done. All I have said to the people is 'give me time' and that is what they have done."

Since taking over from Mrs Sirimavo Bandaranaike's SLFP five years ago, Mr Jayawardene has steadily built up his personal position while gambling heavily that his programme of economic liberalisation—which includes dismantling part of the welfare state as well as the stringent controls which have strangled economic growth—will eventually succeed. Both policies are inextricably linked.

The initial results were spectacularly successful. Economic growth doubled, unemployment was halved and foreign investment began to trickle in. Recently, there have even been enquiries from "Hong Kong" and "Singapore" about the country's economic situation.

Helped by foreign aid—Sri Lanka has the highest per capita receipt of U.S. and World Bank assistance in Asia—this strategically-placed island of 81m people was transformed from a holiday retreat where Sri



Julius Jayawardene

Lankans had to queue for bread, to one where they jostle around the latest imported television sets. The free market has far from eradicated poverty, and has certainly generated corruption—but there is less of it.

It has also, however, brought more familiar problems which come with too rapid industrial-

sation, soaring inflation and large deficits. Coupled with a slump in world demand for Sri Lanka's traditional exports—coconut, rubber and tea, which suffered its worst year in 1982—Mr Jayawardene's administration is having to slam on the brakes.

Mr de Mel said: "I am proposing to suspend all new projects for at least two, possibly three years. We want to complete and consolidate what we've got under way." He recognises that "we have gone too far, too fast."

The massive irrigation and electrification Mahaweli River scheme, while still on course, is short of funds. The \$85m Victoria dam, one of four being built simultaneously to boost the country's generating capacity, cannot be finished until Britain agrees to a further loan of \$30m.

Equally vital, if not more so, is the proposed \$200m IDRC credit. Sri Lanka faces a record budget deficit this year of around \$1.5bn. Receipts (net of foreign aid) amount to no more than \$1bn. The rest will be bridged, according to Mr de Mel from "foreign aid, loans and other sources," including money from the Gulf oil states.

Today's tough budget will go some way towards satisfying the Fund's stringent requirements. But there is also a growing feeling in Sri Lanka that the developing world must take greater account of the possible consequences of being too tough. Hence the wrangle over what amounts to a minor concession to allow export of goods yesterday.

Mr Jayawardene's own premature remarks.

Sri Lanka may have granted universal franchise before half of Europe, but it remains a deeply divided society with caste, religious and tribal differences can easily be exploited to provoke unrest.

Demand for a separate state by the country's Tamil minority is the most explosive of these differences, but there are others. Both Mr de Mel and President Jayawardene argue that forcing the pace of change could provoke trouble.

"Developed countries," said Mr Jayawardene, "should wipe out all the debts of the developing countries and start afresh. We just can't pay." Sri Lanka's foreign debt stands at around \$1.5bn.

Mr Jayawardene—who is, above all else, a realist—realises that this is unlikely to happen, especially in the present international banking climate.

## Bewilderment and dreams of Hong Kong's Vietnamese refugees

BY ROBERT COTTELL IN HONG KONG

HONG KONG'S Vietnamese refugees do not look like a problem. They look like sweet-natured, shy and slightly bewildered people, with a high proportion of round-faced smiling children who seize an approaching visitor's hand to show off their few newly-learned words of English.

Most of the Vietnamese refugees arriving in Hong Kong since July last year are in a camp called Chimawan, on Lantau Island some 15 miles from Hong Kong Island. At the end of February, Chimawan housed almost 3,000 inmates, 67 of whom had been born there.

Not that Chimawan is much of a place to grow up in. For one thing, it is surrounded by a 12-foot barbed-wire fence. For another, refugees cannot leave the camp, except in officially-sanctioned cases such as hospitalisation.

They can, of course, leave Chimawan if, somewhere in the outside world, another country is willing to accept them for permanent resettlement. That way out is becoming more exceptional than ever.

In theory, unless some governmental heart or nerve breaks, some of those children born in Chimawan could spend the rest of their lives behind barbed-wire.

Perhaps they will have Chimawan children of their own—though contraception is readily available from the authorities. Besides which, love affairs may not be the easiest things to conduct in dormitory huts where 2-3 other people are living and sleeping cheek-by-jowl in simple three-tier bunks.

The Chimawan regime is intended to be healthy but Spartan. Inmates receive three meals a day, whose nutritional content has been approved by no less an authority than the Governor of Hong Kong in Council.

Groups of children cluster around blackboards learning English and French, or play table-tennis and netball in the open air. Pocket money can be earned by refugees willing to take on such jobs as cooking and interpreting. Some of the children are clearly aware of their photogenic potential,

FLOW OF BOAT REFUGEES FROM VIETNAM				
	Refugee population at Jan. 1, 1982	Arrivals in 1982	Resettlement in 1982	Refugee population at Jan. 1, 1983
Hong Kong	12,460	7,722	2,267	12,915
Malaysia	9,245	14,855	16,253	8,440
Philippines	6,628	3,288	6,166	3,861
Indonesia	6,191	7,835	6,865	7,274
Thailand	4,971	6,076	2,772	8,374

Source: Hong Kong Government

trying for the attention of visiting television crews.

Until last July 2, Vietnamese refugees arriving in Hong Kong were usually settled in "open" camps in Kowloon from where they could seek temporary work whose wages would reduce the cost to refugee authorities of maintaining them, and help the refugees to bring some order back into their troubled lives.

Since that date, concerned by the liberal hospitality was making it a magnet for new arrivals, the Government has introduced the "closed" camp policy by way of a "humane deterrent".

Refugees arriving in Hong

Kong waters are given written notice that they will be detained if they choose to stay. If they do not like that prospect, the Government will repatriate their ships and let them on their way. In practice, in spite of the closed camp policy, refugees have chosen to stay.

Some Chimawan inmates say that they knew about the closed camp policy before they set off. And some say that, in spite of the restrictions, the quality of life in Chimawan is better than they knew at home in Vietnam.

The result for the Hong Kong Government is a moral and political dilemma, trying to recon-

cile humanity and deterrence. Under the Governorship of Sir Murray (now Lord) Maclehoze, tiny Hong Kong distinguished itself by the magnitude of its humanitarian response to the Vietnamese exodus, turning away none of the small boats which bobbed into its harbour.

The inflow began in 1975, swelled to around 70,000 in 1979 and dropped back to around 8,000 last year.

As the tide of refugees has diminished, Hong Kong has been seeking resettlement. Only 5 per cent of Hong Kong's present refugee population has assured resettlement places. Particularly deeply felt has been reduction in intake by the U.S. since July last year, which now requires refugees seeking resettlement to demonstrate some prior link with the U.S.

The Hong Kong Government estimates that the refugee effort has cost it HK\$120m since 1979, while the UN High Commission for Refugees has spent a further HK\$12m.

The Government says its own bill would be far higher if it costed in the diversion of staff and other resources including

valuable land, towards coping with refugees.

Last year, the refugees in Hong Kong helped turn public sentiment against themselves when rioting broke out at the largest "open" camp—at Kaitak, near Hong Kong Airport.

Also weighing against them is a government belief that most of the refugees now arriving in Hong Kong are not fleeing political persecution, but seeking economic betterment. While they might have been poor back home in Vietnam, Hong Kong has its own poor people to worry about, too.

According to February Government forecasts based on last year's arrival figures, almost 2,000 arrivals are expected over February, March and April, against 770 departures to resettlement countries. The Government has ample basis to doubt whether its closed-camp policy is proving much of a deterrent.

So the Government is now floating the idea that refugees might eventually face com-

pulsory repatriation to Vietnam. The proposal ranks as a tentative one.

It would require the co-operation of the Vietnamese authorities; and it would expose the Hong Kong Government to criticism tarnishing its past humanitarian record.

The prospect of compulsory repatriation may just be being aired by the Government in the hope that the news will find its way back to Vietnam and discourage would-be refugees from setting out. But that it should be floated at all, and at a very senior level of government, is indicative of official concern over the continuing and seemingly permanent residue of refugees in Hong Kong.

For the moment, the inmates of Chimawan play ping-pong and dream of California. The most treasured of all refugee possessions is a document which in some way links the bearer to the former presence in Vietnam, thereby strengthening the hope of resettlement in the



Lord Maclehoze, former Governor of Hong Kong

U.S. Refugees holding such papers will never let go of them, say camp officials, even to the point of sleeping with them /Aked inside clothing.

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## UK companies urged to sell offshore oil services to China

BY COLINA MACDOUGALL

BRITISH OFFICIALS are seeking to galvanise laggard British companies into looking at the China offshore oil market to sell their North Sea offshore services expertise.

A team from Britain's embassy in Peking and Trade Commission in Hong Kong has been touring London and Aberdeen advertising the opportunities in what some have called the world's last great oil frontier.

The mission was the brainchild of Mr Peter Rees, Minister for Trade, and Sir Percy Cradock, British Ambassador to Peking. Both were worried because British companies had not so far manifested much interest in the South China Sea.

Mr Rees, who visited Hong Kong during his recent Far East tour, does not want to see a repetition of British failure to win offshore services contracts in India.

Hong Kong's governor, Sir Edward Youde, in London currently with Sir Percy Cradock, British Ambassador to Peking, also wants to see it play a role as an oil finance and technology centre.

Offshore companies will have to make a strong sales pitch since the Chinese regard most British enterprises as dilatory, expensive and uninterested, businessmen say.

Believe the Chinese have deliberately snubbed Britain by putting their E-x-pan offshore office in Paris instead of London," one trader said. "British companies are hopeless at responding. I rang a major manufacturer recently with a worthwhile enquiry from the Chinese and they turned it down flat."

Even big British companies with an offshore expertise active in Hong Kong in other fields have shown little interest, one official complained.

British companies had some excuse for delaying, a businessman said, since they were hoping to get in on BP's contract. BP was widely expected to be among the first of 32 competing companies to sign contracts with the Chinese for offshore drilling.

This may no longer be so, since Peking is reportedly sharpening the competition by



Sir Edward Youde: talks on the territory's future role

bringing more companies into the current series of talks. This is to counter companies' reluctance to invest at a time of world oil glut unless Peking improves the terms.

China is fast setting up its machinery to handle offshore development and negotiate with foreigners. The most important elements are the China National Offshore Oil Corporation (CNOOC) and its joint venture with Guangdong province, the China Nanhai Joint Service Corporation.

Both have numerous new oil shoots to provide services. Some have already signed co-operation ventures with foreign companies, for example the China Offshore Platform Engineering Corporation's ventures with Brown and Root and Baker Marine, both of the U.S.

Britain's Trade Commission in Hong Kong recommends finding a Hong Kong partner to help companies find their way through China's new administrative jungle and its blossoming rivalries.

The one major British deal so far is the Cable and Wireless letter of intent, to provide telecommunications for the offshore industry, signed with the CNOOC and the Guangdong Posts and Telecommunications Administrative Bureau. This could eventually be worth £50m.

Nicholas Hirst in Toronto examines Canada's continuing U.S. trade problems

## Air accord fails to ease tensions

AN EXTRAORDINARY dispute which nearly resulted in 56,000 Canadians being denied the use of their cut price air tickets to the U.S. has underlined the fragility of trade relations between the two closely linked countries.

The air fares dispute came only days after the U.S. Justice Department decided to label as propaganda two films on acid rain and one on nuclear disarmament made by the Canadian National Film Board. Both followed a period of relative calm while Canada and the U.S. in the current diplomatic phase, appeared to be "managing the relationship" better.

After two years of bitter American attacks on Canada's energy and investment policies, during which the Reagan Administration tried to push Canada into altering its legislation, both sides decided to cool down and attempt to reduce the tensions.

At a meeting in Ottawa with Mr George Shultz, the U.S. Secretary of State, in the autumn, the Canadian Minister of External Affairs, Mr Allan Rock, said from his point of view considerable progress had been made "in establishing a common understanding on how we ought to co-operate as friends and neighbours."

The air dispute and the film decision hardly bears out his words. The fares row broke out when the U.S. Civil Aeronautics

The Canadian Government is anxious to use its negotiating skills to smoothly resolve its disputes with the U.S. The air fares row, however, has fuelled Canadian fears that the U.S. prefers to flex its muscles in order to get its way

Board, backed by President Reagan, refused to allow the use of 56,000 weekend cut price fares offered by Air Canada on flights to the U.S. between February 25 and May 29. The Americans immediately

intention was to force the Canadians to allow the U.S. carrier Continental Air Lines to match fares to Australia from Vancouver offered by the Canadian CP Air. Continental would fly the passengers from Vancouver on another airline and pick them up in Los Angeles for the main leg of the journey. For three years Canada had turned down Continental's application.

The U.S. action followed years of frustration in trying to renegotiate a 1974 bilateral pact the biggest bilateral air pact in the world—on cross-border air services, but it does seem that this was a case of using a sledge hammer to crack a nut. Against the 56,000 Canadians whose holiday plans could have been ruined, the last-minute, one-year compromise which saved their flights last week allows for the sale of 8,000 low cost fares on Continental's route

Many Canadian observers fear that for all the noise coming from the State Department about improving relations with Canada, the Reagan Administration is still prepared to use its muscle to get its way.

The Canadians do not have the same option. What has been clear with the air fares and other recent disputes is that Canada has not wanted to over-emphasise disagreements in a way that could serve to damage the improved tone of the relationship.

It is true that at one point Mr Jean-Luc Pepin, the Canadian Transportation Minister, described the Americans' action with the air fares as "blackmail" and "crude," but a Canadian threat to ban cheap flights to Canada offered by six American carriers was withdrawn before the compromise was reached.

That contrasts with Canada's toughness in deciding to reduce the quotas for EEC countries fishing in its waters, in retaliation for the low level of Canadian cod allowed into the EEC and the ban on the import of seal pup skins.

Essentially Canada cannot

afford to alienate its southern neighbour. Exports account for 30 per cent of its GNP, 70 per cent of which go to the U.S. It is an unequal relationship, and Canada is the weaker partner.

Since the rows over Canada's energy and foreign investment policies have died down there has been a recognition that there is little point in meeting the Reagan Administration head on.

"The Government has concluded that, in a sense, there is no point in doing 'administration bashing' to get any results," said Mr Marc Lortie, Press attaché at the Canadian Embassy in Washington.

Mr John Roberts, the Canadian Environment Minister, in presenting a joint U.S./Canadian study on acid rain, criticised the American team for failing to recommend a 50 per cent reduction in industrial sulphur emissions, otherwise his comments were fairly muted. Yet with the U.S. Environmental Protection Agency under attack in Congress — for mis-handling funds, causing intense embarrassment to the Reagan Administration — the opportunities for political point-scoring were high.

It was the Administration's belief that Canada was denying Americans fair competition that led to the severe rows on energy and foreign investment, and the airline fares dispute has a similar background cause. The main reason for the breakdown

in air pact talks was the Americans' attempts to force Canada to reduce fares and services regulations in line with America's own domestic policy. With the U.S. airlines already having a C\$150m (\$120m) annual revenue advantage on cross-border flight revenues, the Canadians are anxious not to increase the competition further.

The difference of philosophy will never be changed. On matters like acid rain which largely originates in U.S. pollution and threatens to damage Canada's environment, the Canadian diplomatic effort is directed at Congress and public opinion.

The style is to present the Canadian view of the facts rather than to directly lambast the Reagan Administration. On the propaganda films Congressional leaders did the Canadians' work for them with Senator Edward Kennedy going out of his way to condemn the Justice Department action.

Yet Canada cannot afford to ignore the Administration for, conversely, the threat of trade protectionism which could badly hurt Canadian industry comes from Congress and here the Administration is on Canada's side.

It is a dual track approach, to use Congress and public opinion to influence the Administration and to attempt not to lose the possibility of the support of the Administration when it is most needed.

## U.S. to rule on timber imports

By Nancy Dunne in Washington

MR MALCOLM BALDRIGE, the Secretary of Commerce, was expected to rule today on an industry complaint against Canadian lumber imports, potentially divisive dispute between the two neighbours.

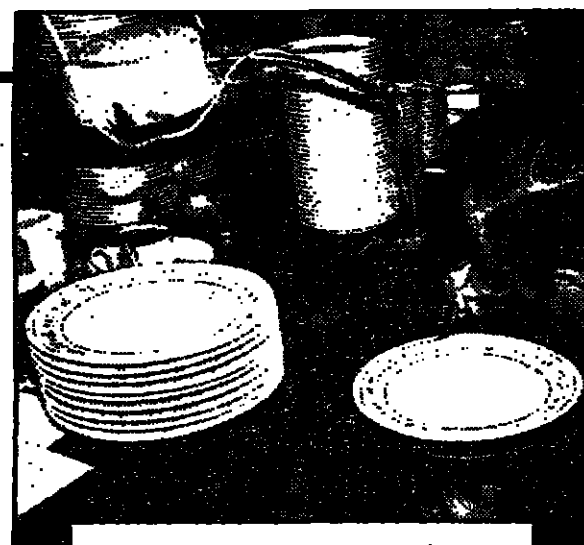
In a complaint filed in October, a group of U.S. softwood, lumber, shingles and fence producers asked the Department of Commerce to impose countervailing duties on Canadian lumber imports, alleging that the Canadian Government provides unfair subsidies to its forest industry.

The complaint challenged the 100-year-old Canadian stumpage system, the procedure which determines the price paid by the industry to provincial governments to harvest publicly-owned timber.

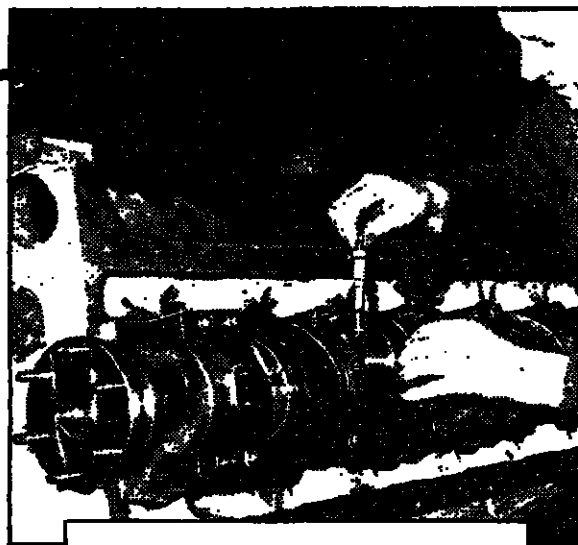
On the basis of the alleged subsidies, the group is seeking a countervailing duty of up to 35 per cent, or \$190.34 per thousand board feet of lumber, \$12.08 per square of shingle and \$7.26 per section of fence.

The Commerce Department will release its preliminary findings today. It accepts the industry argument, then imports of Canadian softwood lumber products will be required to post bonds immediately against which duty would be collected if final determinations of subsidy and injury are made.

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## Hong Kong exporters seek to build in Britain

BY PAUL CHESERIGHT, WORLD TRADE EDITOR

EEC IMPORT restrictions have led Hong Kong exporters to take the first tentative steps towards establishing manufacturing establishments in the UK with British companies.

The Hong Kong General Chamber of Commerce yesterday started a week-long mission round the UK to foster the two-way flow of trade and investment.

The purpose of Hong Kong investment in the UK is to gain access to the EEC according to Mr Jimmy McGregor, the Chamber director. "We expect a more determined effort from the UK to attract Hong Kong investment," he said in London.

The North of England Development Council noted yesterday that it was handling six inquiries from Hong Kong companies in the electronics and garments sectors for joint ven-

tures or sub-contracted manufacturing in the UK.

Two operations have been established. Lyle and Scott of Team Valley, Gateshead, is producing garments for Brunel d'Este of Hong Kong, while Shield Packaging of Washington New Town has a joint venture with Whitledean of Hong Kong to make polythene bubble-filled packaging.

The Chamber will be co-operating with the NEDC in a seminar on trading prospects later this week. The Chamber, on its tour, is handling 400 specific inquiries for business from Hong Kong companies.

Hong Kong is anxious to attract British investment and technology, while Chamber officials note there is great scope for the UK to sell high quality fabrics to boost its £20m a year textiles sales in Hong Kong.

## Taiwan service for Pan Am

HONG KONG—Pan American Airways will announce service to Taiwan and South Korea from Tokyo in the near future, Mr Edward Acker, Pan Am's chairman, said yesterday. Despite it being in a politically sensitive area, Mr Acker said that he did not foresee problems with China over the Taiwan route. Pan Am ended flights to Taiwan in 1978, three months before the U.S. opened diplomatic relations with China.

The four-times-a-week flights to Taipei would begin in mid-June and that it already had needed authorisation from U.S. and Taiwanese authorities. Pan Am would soon be sending notices of its intention to resume the flights to both Governments.

AP-DJ

## Philippines gains £83m loan

MANILA—the Philippines has obtained a \$300m (£83m) syndicated loan to help finance the country's 620 MW nuclear power plant, prime minister Cesar Virata said.

Part of the loan is guaranteed by the U.S. Export-Import Bank and the rest by the Philippines government.

The loan is for the country's first nuclear power plant, due to be operational in 1985 at a cost of at least \$1.9bn. Westinghouse Electric is building the plant on the Bataan peninsula west of Manila.

The syndicate, involving mostly Japanese banks with the Bank of Tokyo as lead manager, also included Bank of America, Bank of Nova Scotia and Bank of Montreal.

Reuter

## EEC mission to promote projects in Yugoslavia

BY ALEXANDAR LEBL IN BELGRADE

MORE THAN 300 European and Yugoslav businessmen and bankers met here yesterday for the opening of an EEC-Yugoslav "business week," the first such mission ever sponsored by the Brussels Commission and one designed to foster EEC investment and joint ventures in Yugoslavia.

The focus of the week's discussions, which will take EEC businessmen around several Yugoslav cities, is primarily on industrial investment, licensing, and joint ventures both in Yugoslavia and third markets in sectors like chemicals, machine tools, communications and raw materials processing. Some 190

specific projects have been put up for discussion and possible negotiation.

At the opening ceremony, Herr Wilhelm Haferkamp, the EEC Commission vice-president, praised Yugoslavia for its courage in tackling its stabilisation programme, a key feature of which is export promotion. An EEC-Yugoslav co-operation accord, dealing with patents, technology transfer, research, has just come into force.

For the Yugoslav Government, Mr Janko Smole, welcomed EEC co-operation efforts, but complained of EEC protectionism against agricultural and textile goods.



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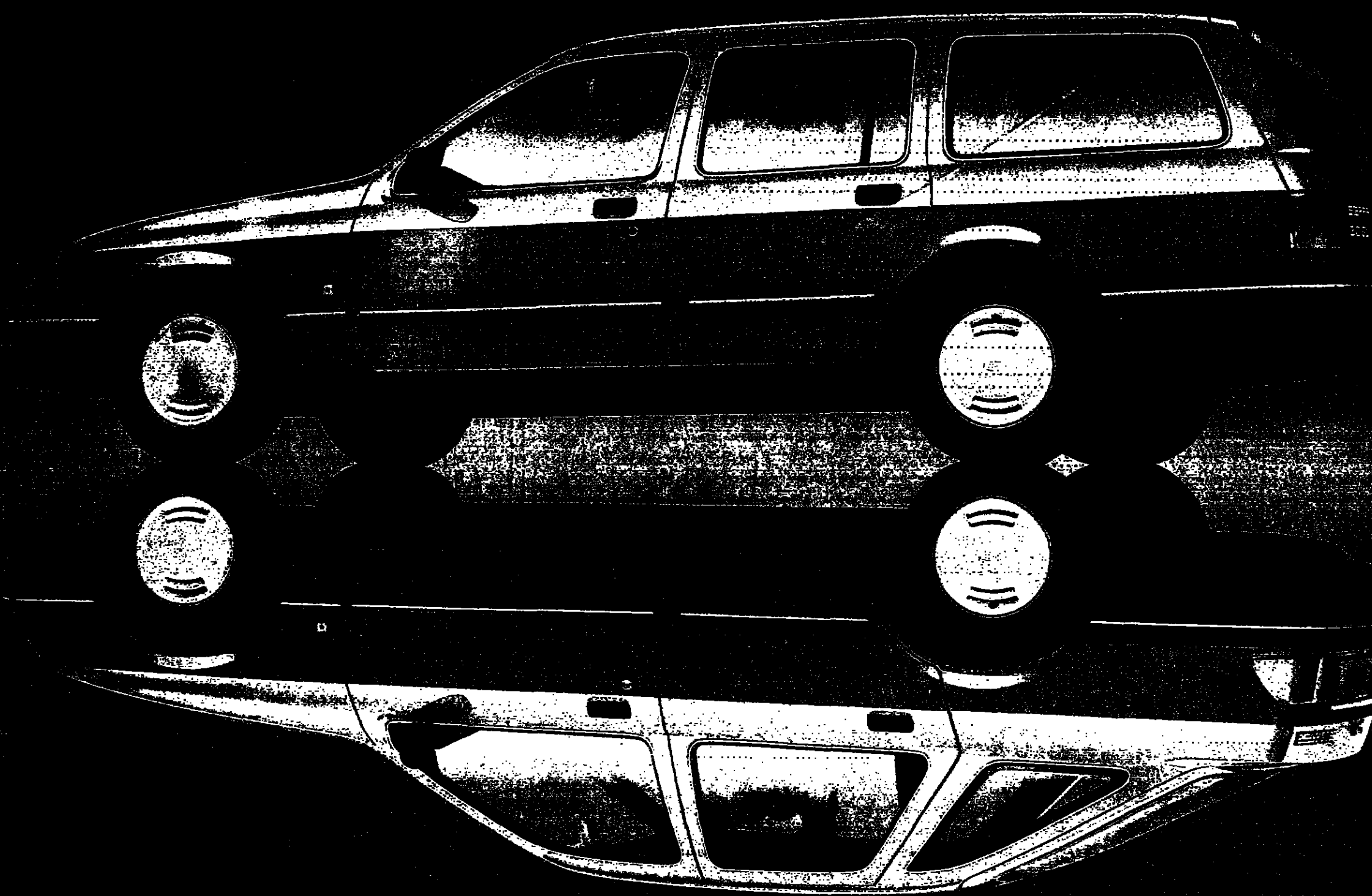
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Now Ford gives you an Estate  
that drives like a Sierra.



Much has been written about Sierra, the driver's car. And not just in the advertising!

*Car*, a magazine noted for its pungent reporting, said "It's one of those cars that feels right from the moment it moves off... The car feels fluid, mature, competent."

The *Daily Express* added "The most outstanding thing about Sierra is its sheer driveability."

And *Motor* admitted "We're still slightly stunned by its all-round excellence."

We look forward to hearing what they'll say about the new Sierra Estate.

Obviously, it's not quite a mirror image of the saloon. After all, it has an Estate back with no less than 69 cu. ft. of load space. But it does reflect the same engineering principles. So much so, that once behind the wheel, we'd challenge anyone to feel

the difference between it and the saloon.

Believe it or not, it has the same aerodynamic drag coefficient as the saloon's. (Average 0.34). And, with four of the same range of high efficiency engines (1.6, 2.0, 2.3V6 and 2.3 diesel), its performance and economy is surprisingly similar. The fastest does 116 mph\* and the most economical petrol model does 47.9 mpg at a steady 56 mph\*.

The rear suspension (all independent) has naturally been modified to compensate

for the added load capacity. So the Estate still feels light and agile when you're carrying five hundredweight in the back.

And, of course, equipment levels are very similar too. In particular, the driver will appreciate the way the dashboard is curved around you rather like an aircraft's cockpit and the seat holds you snugly in place so that you feel at one with the controls.

No doubt you'll also enjoy the long intervals between standard services

(12000\*\* miles) and the simple maintenance for which all Sierras, and indeed all Fords, are well known.

The new Estate is now at your local Ford dealer. He'll be glad to arrange a demonstration of the only Estate that drives quite like a Sierra.

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1.6 litre L Estate.....	£6,240
2.0 litre GL Estate.....	£7,335
2.3 litre Ghia (auto) Estate.....	£9,396
2.3 litre Diesel (5-speed) Estate.....	£6,186

Maximum prices excluding delivery and number plates. Cars featured have metallic paint at extra cost.

\*Ford test figures for 2.3 litre V6.

\*\*Government fuel test figures - mpg (litres/100km) for 2.0 petrol model: Constant 56 mph (90kmh) 47.9 (5.9). Constant 75 mph (120kmh) 36.7 (7.7). Simulated urban cycle 26.4 (10.7).

\*\*Diesel standard services at 10,000 miles. All models have interim services.



Man and machine in perfect harmony.



# BARCLAYS BANK PLC.

The Directors of Barclays Bank PLC report the Group results for the year ended 31st December 1982

The Barclays Group pre-tax profit for 1982 amounted to £195m compared with £57m for 1981. This represents a reduction of 13% in the level of profit compared with the previous year but is the fourth highest pre-tax profit reported by the Group.

In the United Kingdom Clearing Bank, which includes Barclaycard, operating profit increased from £267 million to £313 million in 1982 despite the need for much higher provisions for bad and doubtful debts and lower interest rates. The average basic rate in 1982 was 11.9% compared with 13.2% in 1981, whilst the margin between the average basic rate and 7-day deposit rate widened from 2.6% to 2.9%. Results benefited from profits on gilt-edged security transactions in the second half of the year. Overheads have risen despite strenuous efforts in cost control, but productivity showed a further increase.

Cheque account balances now represent only 23% of total domestic deposits compared with 40% in 1978 but the resultant cost of funds has to some extent been offset by significantly improved commission income on services.

It would be unwise to say that the worst has passed in the need for provisions as there are still a number of companies which require careful nursing and some of these will inevitably slip over the edge.

Other domestic operations have experienced generally good results but Mercantile Credit has faced reduced margins, higher bad debts in their consumer credit lending and increased overheads which have resulted in a fall in profits from £54 million to £42 million.

Our international operations produced a lower level of profits in 1982

and Barclays Bank International's profit contribution is £146 million which is 40% down on 1981. Their profits have been adversely affected by the need for substantial provisions for bad and doubtful debts in a number of areas. In particular, some of our activities in the United States have suffered and, despite good profits from Barclays American Corporation, our overall operations there have resulted in a loss this year which has been made worse in sterling terms by the fall in the value of the pound against the dollar.

The level of cross border exposure (in the main for the finance of trade and commerce) to borrowers in certain countries who are now short of foreign exchange, particularly in Latin America and East European countries, has been a cause for some concern. However, in no country does the figure amount to more than about 1% of our total assets.

During 1982 Group assets grew in sterling terms by 21%, but about one-third of this growth arose as a result of the fall in the value of sterling. However, capital resources increased by £737 million, the main additions being retained profit, two sterling loan issues and a revaluation of the Group's properties in the United Kingdom and in certain overseas countries.

In view of the healthy operating profit, we feel able to fulfil the intention announced last year effectively to increase the dividend by 20% over last year's level.

*Timothy Bevan*

Timothy Bevan, Chairman of Barclays Bank PLC

## A COMPARISON OF 5 YEARS' RESULTS

	1982	1981	1980	1979	1978
Profit before taxation	£m	£m	£m	£m	£m
Profit after taxation	495.2	566.6	523.5	529.4	373.3
Special levy	364.0	461.4	371.4	367.4	237.8
Profit retained	253.8	274.7	296.1	305.4	198.8

## DIVIDEND

The Directors recommend a final dividend for 1982 of 11.0p per £1 Ordinary stock (1981: 9.6p adjusted for the one for five capitalisation issue in 1982) payable on 12 May 1983 in respect of stock registered in the books of the company at the close of business on 31 March. On this basis the total distribution for the year will be 22.0p (an increase of 20% over 1981 total distribution of 18.3p, adjusted for capitalisation issue).

The total distribution on the Ordinary stock for the year of 22.0p per £1 stock is equivalent to 31.43% gross on that stock (1981: 26.19%).

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1982

The Directors of Barclays Bank PLC report the following Group results for the year ended 31 December 1982:		1982	1981
Operating profit		£m	£m
Share of profit of associated companies		487.3	557.8
		74.6	58.5
Total Group profit		561.9	616.3
Interest on loan capital		66.7	49.7
Profit before taxation and extraordinary items		495.2	566.6
Taxation		331.2	105.2
Profit after taxation		364.0	461.4
Profit attributable to minority interests in subsidiary companies		35.2	30.2
Extraordinary item:			
Special levy on UK banking deposits		—	(94.7)
Profit attributable to members of Barclays Bank PLC		328.8	337.1
Dividends:			
Interim		37.5	29.8
Proposed final		37.5	32.6
Profit retained		75.0	62.4
Earnings per £1 Ordinary stock		96.7p	127.3p
Dividends per £1 Ordinary stock		22.0p	18.3p

## NOTES

1. The bases of accounting are as explained on pages 59 and 60 of the 1981 annual accounts.

2. Analysis of total Group profit:

By nature of income/expenses:

Interest income

Interest expense

Net interest income

Other operating income

Operating expenses:

Staff

Property and equipment

Other

Charge for bad and doubtful debts

Profits/(losses) on realisation of investments

Share of profit of associated companies

By geographical area:

Domestic:

Barclays Bank PLC

Barclays Merchant Bank Group

Mercantile Credit Group

Other domestic companies

International:

United Kingdom

United States

South Africa

Rest of the World

3. Movements in provisions for bad and doubtful debts in the year are:

Provisions at beginning of year

Exchange and other adjustments

Provisions raised, less amounts released

Amounts written off

Provisions at end of year

Provisions at 31 December:

Specific

General

4. The charge against profit for bad and doubtful debts comprises:

Charge for specific provisions

Charge/(credit) for general provisions

Recoveries of amounts previously written off

5. Taxation charged against profit for the year has been reduced by £128.4m (1981: £154.3m) due to the determination of tax liabilities for which provision has not been made. The total amount of potential taxation not provided at 31 December 1982 is £732.4m (1981: £388.4m).

The Directors consider it prudent to continue to maintain a provision of 25% of the potential taxation liability in respect of the Group's UK leasing business.

6. Dividends on Ordinary stock:

Interim dividend

Proposed final dividend

7. The 1981 comparative figures are adjusted for the one for five capitalisation issue in 1982.

8. Earnings per £1 Ordinary stock are based upon profit after taxation and after deducting profit attributable to the minority interests in subsidiary companies, but before extraordinary items. Dividends on the Staff stock are also deducted.

The earnings amount to £328.6m (1981: £431.0m) and are related to the weighted average of £339.9m Ordinary stock in issue during the year (1981: £336.5m, adjusted for the one for five capitalisation issue in 1982).

9. Stockholders' funds (issued capital and reserves) have increased as follows:

Profit retained

Surplus on revaluation of properties

Issues of stock under profit sharing schemes (including share premium)

Non-trading exchange surplus

Goodwill arising on acquisitions

Other items

At beginning of year

At end of year

10. Certain balance sheet figures are:

Capital resources:

Stockholders' funds

Minority interests in subsidiary companies

Loan capital

Deposits

Advances

Total assets

11. The information given in this preliminary announcement does not comprise full accounts within the meaning of Section 11 Companies Act 1981. Full accounts containing an unaudited report given by the auditors will be published on 31 March 1983 and copies will be delivered to the Registrar of Companies in accordance with Section 1 Companies Act 1976.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1982

	1982	1981	*1981 restated
Historic cost operating profit	£m	£m	£m
Current cost adjustments:			
Monetary working capital	(126.3)	(211.0)	(229.2)
Additional depreciation	(35.2)	(58.4)	(41.7)
Cost of sales	(1.2)	(1.5)	(1.6)
Current cost operating profit	324.7	305.9	333.3
Share of current cost profit of associated companies	55.9	36.6	39.8
Interest on loan capital	380.6	343.5	373.1
Gearing adjustment	(66.7)	(49.7)	(54.0)
Current cost profit before taxation and extraordinary items	35.6	51.6	56.0
Taxation	349.5	345.4	375.1
Current cost profit after taxation	(131.2)	(105.2)	(114.3)
Attributable to minority interests	218.3	240.2	260.8
Special levy on UK banking deposits	(25.4)	(14.6)	(15.8)
Current cost profit attributable to stockholders	(9.4)	(94.1)	(102.2)
Dividends	192.9	131.5	142.8
Current cost profit retained	(75.0)	(62.4)	(67.8)
Current cost earnings per £1 Ordinary stock	117.9	69.1	75.0
	96.7p	66.6p	72.3p

\*In order to make allowance for the effect of inflation, the 1981 figures are restated in this column in 1981 £ value terms by reference to the movement of the UK retail price index.



**BARCLAYS**

BY ORDER OF THE BOARD, P. S. PERRY, SECRETARY.

REG. OFFICE: 54 LOMBARD STREET, LONDON EC3P 3AH.

Reg. No. 48839 7th March 1983

## UK NEWS

### UK economy facing 5 years in doldrums says forecasting unit

BY MAX WILKINSON ECONOMICS CORRESPONDENT

BRITAIN'S economic growth rate will be substantially slower for the next five years than that of any other major industrialised country, the Oxford Economic Forecasting unit says in its latest outlook, published yesterday.

The organisation, based on the Oxford Centre for Management Studies, believes that if present policies continue, UK output will grow by an average of about 1.8 per cent a year between 1982 and 1987. By contrast, average growth in the industrialised world for the period is forecast to be 2.7 per cent a year.

Forecasters expect UK output to grow slowly in the present year, with the average level 1.5 per cent higher than in 1982. Activity is expected to pick up in 1984 with a growth rate of 2.5 per cent - comparable in that year with growth in other European countries.

However, on the assumption that the Conservative Party wins the next general election and pursues similar policies, the forecasters predict that the growth of UK output will slow down to about 1.5 per cent a year after that.

This would be only about half the growth rate for the industrialised world as a whole in the same period.

For the next financial year (1983-84), the Oxford group predicts that public borrowing would be well below the £30m target assumed by the Treasury last autumn. In spite of the recent fall in the pound, it

## UK Economic Forecast

	1982	1983	1984
Output	0.7	1.5	2.5
Consumer spending	1.1	1.9	1.8
Exports	0.0	0.4	0.4
Imports	4.0	3.9	7.5
Jobless	2.9	3.7	3.7
Current account balance of payments	4.7	1.5	-1.5
Inflation (retail prices index)	8.6	5.9	9.0
PSBR (£bn)	7.5	8.7	7.4
World trade in manufactures	-2.0	1.0	4.8

(% changes on year earlier unless otherwise stated)

Source: Oxford Economic Forecasting

predicts that Chancellor of the Exchequer will have about £20m available to "give away" in the budget on March 15, and still be able to announce a borrowing of £8.75bn.

It expects that cuts in income tax will help to stimulate domestic demand in the UK, which it forecasts will rise by 2.5 per cent this year and will provide the driving force behind the recovery. The recent

fall in the value of the pound has improved competitiveness but this is unlikely to have an immediate impact on export performance.

February 1983 Forecast from Oxford Economic Forecasting, Oxford Centre for Management Studies, Kennington, Oxford.

The field is being redeveloped as a combined storage and peak production reservoir. Gas will be pumped into the field during summer months of low demand and extracted during peak periods.

The discovery is the fourth in an eight-week programme since the beginning of 1982. Three of the potentially commercial discoveries have been gas, and the fourth an oil find onshore.

British Gas has been told it must concentrate on gas exploration and production. Any oil discovered is likely to be sold to the public or other oil companies.

### Promising new gas find in North Sea

By Roy Deffer, Energy Editor

THE British Gas Corporation has made a promising North Sea gas discovery about 30 miles off the Humber estuary.

The corporation, as operator of an international drilling consortium, said it tested "good quality natural gas" at attractive flow rates. The reservoir is a "virgin structure" near the important Rough gas field.

More drilling will be required to assess its extent but British Gas is considering the discovery's commercial implications.

The find was made by the drilling rig Britannia in block 47/9b in the southern portion of the North Sea. The Britannia rig has moved to the Rough field, to be engaged in development drilling on behalf of British Gas.

The field is being redeveloped as a combined storage and peak production reservoir. Gas will be pumped into the field during summer months of low demand and extracted during peak periods.

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### U.S. precision factory a first

BY ROBIN REEVES, WELSH CORRESPONDENT

ALIGN-RITE CORPORATION, a California-based producer of photomasks for semiconductor manufacture, is to open a £2m mask-making works at Bridgend, South Wales, which may service the North American east coast as well as Europe.

Mid-Glamorgan Council has just placed the construction contract for developing the first 30 acres, which will be capable of taking six to eight high technology projects.

Align-Rite will start building within the next six weeks and will be in production by the end of this year. It expects to be employing 150 in three to five years' time.

Semiconductor photomasks are chrome and emulsion photographic plates performing a vital function

in manufacturing silicon chips. They trace the circuit designs so that these can be etched into silicon wafers to create integrated circuits.

Mr MacDonald said the company had calculated that the five-hour difference across the Atlantic, combined with the nearness of Heathrow and Cardiff Airports, might produce a quicker turnaround for orders from the U.S. east coast, California and Europe.

In the UK semiconductor manufacturers currently have to wait up to six weeks for photomask orders to be met. Align-Rite would be geared to meeting orders within three to five days.

### BL unveils new Land Rover

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE LAND Rover One Ten, the most significant development of the Land Rover since it was launched in 1949, is unveiled by the BL subsidiary today at the Geneva motor show.

The One Ten range - so-called because of its 110-inch wheel base - is the most important product to emerge from the £200m five-year investment programme begun at Land Rover in 1978.

Its launch comes after two very

difficult years for the company in which competitors, notably the Japanese, have captured a growing share of the four-wheel drive vehicle market.

Land Rover's aim is to broaden the appeal of the vehicle, but to do so through an evolutionary approach, which means that the new model looks much like its predecessors. Ride and handling have been improved considerably to appeal to private buyers who have been turn-

ing in ever greater numbers to the Toyota Land Cruiser and the Nissan Patrol.

At the same time the company has tried to strike a balance between the needs of private buyers and a more fundamental specification for military fleets, which have for many years provided much of its business.

The One Ten goes on sale in the UK and Switzerland today.

New model for the world, Page 17

**ANGLIA**  
BUILDING SOCIETY

## A successful year in 1982

Anglia Building Society achieved one of the highest growth rates of all the major societies in 1982 - increasing its total assets by 21 per cent to £2,642 million.

Anglia's Chairman, Jack Corrin, said:

**66** Our increase in business was one of the highest in the building society movement and we have continued to attract savings and investment despite an increasingly competitive market. On the lending side we expect building societies to maintain their dominant position in the mortgage market. In 1982 we, at Anglia, lent a record amount on mortgages, including £53 million to existing borrowers for home improvements. 49% of new mortgages were to 'first-time' home buyers. 99



building societies to maintain their dominant position in the mortgage market. In 1982 we, at Anglia, lent a record amount on mortgages, including £53 million to existing borrowers for home improvements. 49% of new mortgages were to 'first-time' home buyers. 99

Highlights of the Year	1982	1981
Total assets	£2,642m	£2,183m
Receipts from investors	£1,224m	£989m
Net receipts after withdrawals	£293m	£144m
New investment accounts	312,636	275,105
New mortgages: Amount	£537m	£420m
Number	34,789	30,117
Further loans for home improvements	£53m	£36m
Investors and borrowers	1,694,347	1,554,986
Branch offices	301	294

A copy of the Directors' Report and Annual Accounts giving members full details of the Society's financial results for 1982 is available at all our branch offices or write to Anglia Building Society, Head Office, Moulton Park, Northampton NN3 1NL.



## THE ARTS

## Faces from a vanished past

The title Colnaghi has given its exhibition (till March 31) in New Bond Street might be thought open to charges of racism—English Ancestors. In fact they include Irish, Scots, Welsh, part-Briton, justifiable perhaps as a realistic acknowledgement of the mongrel nature of the English. But the artists who delineated this "Englishness" included Dutch, Flemish, French, Italian, Irish, Scots, Hispanic, Flemish, German. In the 17th century, predominantly foreigners—the Fleming Van Dyck (not represented here, but still to be seen in his splendour at the National Portrait Gallery exhibition); his successor as general officer commanding British portraiture, the Dutchman Lely (died 1680), and his successor (right up till 1720) the German Kneller.

To analyse and identify the specific "Englishness" of the portraits they painted is a baffling task. In Van Dyck the balance between the grand baroque desire and the individuality of each sitter's phiz is generally, and often most vividly, achieved, but with Lely (especially in his female portraits) and Kneller the work is more obviously identifiable as being primarily Lelys and Knellers. The sitter tends to become a specimen of the painter's style. The Lelys and Knellers in this exhibition are certainly not typical Dutch or German (School) pictures: they are indubitably English. In fact Lely formulated the record of the physical appearance of the country of the Restoration for posterity, and Kneller, leaping a few vertical, performed the same service for the aristocracy and gentry of England after the Glorious Revolution and into the reign of George I.

One of the pleasures of Colnaghi's show is however the quality revealed by some of the lesser known painters. Thus an early painting of the 1680s, by Jonathan Richardson is start-

ling in its brilliance of colour and freedom of painting, with a bravura that the painter lost entirely in his later years. It features the youthful Edward and Constantia Rolt in a landscape, imbued them also with a certain mad and enigmatic charm—he holding a spear of uncertain function, she eyeing her brother with some anxiety.

## David Piper reviews an exhibition of portraits of long-dead grandees and wonders who will give them house room today

My own personal favourite is a study of an unknown girl, leaning on a ledge, with a waterfall beyond. The virtues, and originality of its painter, J. B. Clostermann, were demonstrated a little while back in a revelatory little exhibition at the National Portrait Gallery staged by Dr Malcolm Rogers. The chosen painter of that arbiter of taste, the 3rd Earl of Shaftesbury (of the Characteristics), Clostermann was an almost mythical figure, a departure from the standard formulae for portraits established by such as Kneller. In this portrait of a girl, beautifully simplified and in that low-keyed, almost muted palette that Clostermann favoured, he evokes extraordinarily romantic and moody overtones. It might almost be by Prud'hon a century later.

And then there are one or two examples of the charm of the naïve. Two Young Cricketers, painted by one Nathan Downer, of whom almost nothing is known but that he showed at the Royal Academy through four years in the early 1770s. Brothers pre-

sumably, with a wolfhound with a muzzle as long as an anteater's and their own faces poignantly moonlike with enormous dark eyes. At the other end of the scale of sophistication, a painting by that mysterious, formidably accomplished, artist from Salisbury, working in the 1770s: George Beare. Miss Fort of Alderbury

House, a lustrously amorous lady holding a sprig of jasmine to her cheek (presumably signifying impending nuptials), an ermine tippet round her throat. Beare's portraits tend to be attributed to Hogarth, and the quality is not uncomparable. Or, by a relatively rare Dutch visitor to England in the early 1660s, Pieter Nason, a no less smug characterisation of the 1st Earl of Shaftesbury (of the Characteristics), Clostermann was an almost mythical figure, a departure from the standard formulae for portraits established by such as Kneller. In this portrait of a girl, beautifully simplified and in that low-keyed, almost muted palette that Clostermann favoured, he evokes extraordinarily romantic and moody overtones. It might almost be by Prud'hon a century later.

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canvases? One might almost buy a few pitch them together as a tent, and live in them: they would provide the company. One of them has a story attached—a group of gentlemen at cards. Said to have been commissioned (from the very competent West Country painter, Thomas Beach) in 1775 by a Mr Naper Dutton to commemorate a game in which Mr Dutton had been saved, by a warning from his friend Mr Chamberlain of Stow-in-the-Wold, from making a bid which would have cost him his entire estate. Everyone looks suitably and momentarily serious. Mr Naper Dutton especially so, reflecting almost audibly on human folly.

More usually however, these groups are straightforward family records. Kneller displays the Harvey family across the foreground, posed as if in a shop window, clothes in mint condition. Faces (even grandmas) likewise. There is a sense of communication between the sitters—even the husband's hand, intended to rest on his wife's shoulder, seems not quite to have established contact. In contrast, the group by that neglected painter, Joseph Highmore, is a lively assembly in sparkling high-keyed colour: gestures and eloquent glances abound, silks flow and flowers spill. There seem to be 10 children, mother, an (borne heavenward by angels) the deceased eleventh child, while the fertile father, Eldred Lancelot Lee, who died two years before the group was painted, is present only in a partially obscured portrait on the wall behind.

In a grandiloquent exercise on the scale portrait, Reynolds pulls out all the stops. On close examination, his sitter, a freshly elevated Viscount, John Ward may be diagnosed correctly as a rather stumpy, complacent peer, but so successful is his elevation by art, his satin, red velvet and



Edward and Constantia Rolt by Jonathan Richardson

ermine-collared robe spread wide as a sail for winds of glory, his shortness dissembled by the colossal soaring column behind him, the swirl of drapery, a richly turbulent sky, that the overall impression is of compelling nobility. But they are all, the sitters in this show, exiles now. Their provenance, the rich names of the rich

houses for which they were painted, toll like passing bells—Pashanger, Thornham Hall, Rolis Park, Raynham, Burley-on-the-Hill. Ghosts, you may think of a way of life gone for ever, yet still vivid witness of English history, still unreconciled and indomitably showing brave faces. Who will give them shelter? Whose short of ances-

## Emil Gilels: Festival Hall

Dominic Gill

Gilels's last piano recital in London, an all-Beethoven programme exactly a year ago to the day, was a miracle of powerful distillation, precision and classical poetry. His latest appearance, with a programme of Schumann and Brahms on Sunday afternoon, was a more kaleidoscopic, uneven, impulsive affair. But at its best, the playing was no less compelling, perceptive or finely crafted; and the recital, as a whole event, was no less highly charged.

It was an afternoon for huge and in pianistic terms, elemental risk-taking. It is almost a defiance of natural laws to open a full-scale daytime solo recital, before the adrenalin has begun to run or the fingers settle, with the first book of Brahms's Paganini Variations. But that was Gilels's scheme. Perhaps once in ten times the risk misfired; but nine times more the vindications were absolute, and triumphant.

He was in the mood for violent contrast: big, savage sound-canvas juxtaposed with reflections of the most melting delicacy. In the more forceful of the Brahms variations there was plenty of splashing; but the huffed chords and notes were incidental and never incoherent—either extreme there was a powerful clarity both of intention and execution. There was no attempt to soften the edges, or round the sharp corners, of Brahms's seven Fantazias op 116, each one a full-fledged dramatic statement rather than

(as they are sometimes perceived) a mere wisp of nostalgia, resigned as frantic. The nostalgia of the great E major Intermezzo was all the more poignant for the unsentimentality of his vision, of his insupportable, unobtainable sweetness: on the opening page, the right hand's answering motif was more clation call than dolce such.

Gilels began his second, Schumann half with the little set of four *Clavierstücke* op 32—the central section of whose "romance" was as arresting as anything in the recital, the purest seamless vocal line spun about a distant (but perfectly articulated) accompaniment. On the *Etudes symphoniques* he brought to bear the full weight of his own, and his instrument's, orchestral genius: in the second *Etude* especially, played more slowly than he has ever heard it, but with irresistible momentum, an extraordinary sonority of horns and strings. Gilels's pedalling of the dotted rhythms of the French overture no 8 was an adventure in itself, as indeed it was throughout the recital (clearing the pedal only on the third beat of the opening measures of the Brahms minor triad, and with very striking effect). The duet of the G sharp minor *Etude* was never more rapidly or eloquently sustained; the finale has never sounded grander or, massive splashes and all, more inspiring.

## Women at War/Round House

Max Loppert

The latest concert programme to be promoted by the Contemporary Music Network for touring across the country has been devised with typical flair and acumen by the Songmakers' Almanac. Janacek's *Diary of a Boy Who Disappeared*, planned as its foundation, calls for piano, tenor solo, and four subsidiary female voices; to balance it, and also to provide more substantial occupation for female quartet elsewhere in the concert, the Songmakers requested from Rolfing a complementary song cycle. The result is *Women at War*, a "Revue" for four women's voices and piano, which proved, in its premiere on Sunday, to be a work quite arrestingly imaginative as anything Holloway has produced.

The war in question is the Great War; and the texts (left unattributed by the composer) are a medley of women writers of the period, from which Holloway has derived both a composite "portrait" of the era and a shapely structural basis. The work falls into five sections—prologue and epilogue separated by three substantial parts—and pursues a dramatic scheme in which, out of various vocal combinations with and without piano, a kaleidoscope of moods is patterned, ranging from the energy, pride, and working-woman's bustle of the opening to the bitter anger of the finale.

The writing is of extraordinary facility and deftness, almost a thesaurus of the possi-

bilities offered by a female quartet and piano—in the lone middle section ("Pastoral" and "Love and Loss") the voices slip from folksong-like solo into a capella quartet and then into a quicksilver web of contrasted duets, the sheer fluency of the execution compels admiration quite as much as pleasure. As ever in a Holloway work, the sense of influences drawn upon and creatively absorbed is clear; Britten's "From the gutter" female quartet (Grimes) and the sweet concord and conjunctions of Strauss's *Ariadne* are in the background; yet the flavour of *Women at War*—lyrical, witty, quite strong and thoughtful beneath its various quick-change guises—seems to me quite personal, and wholly original.

It is a long work, 35 minutes or so; but on Sunday, eloquently sung by Miriam Bowen (a lovely, limpid soprano), Caroline Friend, Patricia Taylor, and Laura Hick, and with the formidable piano part energetically played by Graham Johnson, it held the attention throughout. Neither the Round House acoustics nor the piano were of ideal quality for the occasion; in the Janacek with Philip Langridge a very sympathetic (though lacking in strong tones), Mr Johnson's touch appeared less than ideally incisive. The programme is completed by a bouquet of World War I songs by Bridge, Gurney, Ireland and Holst; and is eminently worth catching anywhere on this fortnight's round.

## Obituary/Cathy Berberian

The American singer Cathy Berberian, who has died at the age of 54, was an artist of extraordinary versatility and accomplishment. She made her reputation as the vocalist whose many unusual gifts—including the ability to pitch accurately across a three-octave compass, quick staccato, and dramatic and mimetic range—Luciano Berio drew on in composing much of his vocal music (such as *Sequenza III* and *Recital*).

But she inspired many other leading composers besides, and though personal taste, as well as the dimensions of a voice warm and keen in quality but small in power, kept her from the operatic stage, her marvellous theatricality, and intelligence were readily appreciated in the "staged" recital programmes which were a specialty of her latter years. (She was married to Berio from 1950 to 1966.)

## Hong Kong learns to enjoy the arts

The cherry line edges on stage, legs high kicking, costumes perhaps borrowed from a particularly decadent night club in Legerwood's Berlin. But what's this? Surely it's a girl that the right is a girl that this may really be the end of civilisation as we know it.

For such voyeuristic embellishments might be *de regimine* in the decadent West but this is Hong Kong, a place dedicated to the pursuit of the truth, no wantonness. Obviously in the five years since my last visit the arts have flourished in a part of the world which has traditionally worshipped Mammon rather than Mañier.

The chorus was from the Sydney Theatre Company's production of *Chicago*, the hit of this year's Hong Kong Arts Festival which ended last week. Such a show was completed from the original Broadway production. The set retains the mobile bars of Cook County Jail, home to a bevy of lady killers whose fate is to show by career. The band still blows its rag time perched above the stage, and the inmates bitch and pickler in the scummiest of costumes. The vaudeville atmosphere survives, with a master of ceremonies to introduce the routines, an improvised approach which ensured that this was one Broadway musical which did not get an immediate transfer to Shaftesbury Avenue.

But Sydney has added some trimmings, notably a male falsetto, J. P. Webster, as Mary Sunshine, the goateed of the show. John Rander must be stronger on 20's style than hit songs, and Fred Ebb and Bob Fosse's book loses its political message in the gags and gaudy of this attractive company, but seen

amid the Chinpoiserie of the Lee Theatre in down-town Hong Kong this *Chicago*, with Nancy Hayes as the most spritely of a nimble cat, had an immediate appeal. The virtues, and originality of its painter, J. B. Clostermann, were demonstrated a little while back in a revelatory little exhibition at the National Portrait Gallery staged by Dr Malcolm Rogers. The chosen painter of that arbiter of taste, the 3rd Earl of Shaftesbury (of the Characteristics), Clostermann was an almost mythical figure, a departure from the standard formulae for portraits established by such as Kneller. In this portrait of a girl, beautifully simplified and in that low-keyed, almost muted palette that Clostermann favoured, he evokes extraordinarily romantic and moody overtones. It might almost be by Prud'hon a century later.

And then there are one or two examples of the charm of the naïve. Two Young Cricketers, painted by one Nathan Downer, of whom almost nothing is known but that he showed at the Royal Academy through four years in the early 1770s. Brothers pre-

## Antony Thornecroft reports on the arts in Hong Kong which are developing as rapidly as the colony's skyscrapers and population

like *Chicago* might have shocked and have been shunned by the Chinese. It played to full houses and an enthusiastic reception. The arts have made tremendous progress in Hong Kong in recent years proving that whatever the extraordinary place puts its mind to it succeeds in achieving—and on a grandiose scale, too.

For just over five years a 17-storey Arts Centre has been in business, an Academy of the Performing Arts, with Dr Basil Deane, formerly music director of the UK Arts Council, in charge. opens soon. Across the water on mainland Kowloon a new cultural centre will appear by 1985 with an opera house and a concert hall, and other arts complexes are planned for the New Territories. The annual festival, matched by one dedicated to Asian arts in

the autumn, has stirred competitive arts rivalry in the colony with Hong Kong City Council financing a symphony orchestra and booking visits by top international artists to maintain the momentum outside festival time. As a result a part of the world which was a cultural wasteland now catches most major figures flitting between the UK and the U.S. and Australia and Japan and

local involvement in the arts has grown tremendously. Hong Kong audiences are not very sophisticated and the language and cultural differences of the two communities create problems for the Festival's director, Mr Keith Stanham. He does not book avant garde artists and this year has concentrated on performances with a mainly visual appeal. In drama, as well as *Chicago*, the National Theatre brought Hilary and played in the Queen Elizabeth Stadium, usually the scene of sporting contests, and from Barcelona came the mime and dance group, Theatre de la Claca. There was a trio of mime and clown, Jacques Lecoq, from Paris. Dimitri, the Swiss clown, and Radeis, Belgian street entertainers.

The absence of the classical

theatre did not seem to be missed—there was a record 120,000 tickets sold, with 85 per cent capacity for over a hundred performances. On the music side, as well as the Scottish Chamber Orchestra and Philharmonia Hungarica, there were the Songmakers Almanac, Rostropovich, Cherkassky, Vishnevsky and all. Attendances at the musical events were well served by Chinese, who had their interests looked after in a visit by the Chengdu Ensemble from Sichuan in north China with a Tibetan dance drama, as well as performances of Cantonese opera, enjoying a revival now that the barriers between Hong Kong and China have disappeared.

The state of the arts in Hong Kong was well illustrated by a production of *The Secret Marriage*, written by Cimarra, the Neapolitan contemporary of Mozart for the Emperor, Leopold II in 1792. Leopold liked it so much that the company did an immediate encore. *The Secret Marriage* had been sung in Italian by Cologne Opera at Sadler's in London recently, but the Hong Kong version was in English with a case of young Australian singers and Richard Divall, music director of the Hong Kong Philharmonic. The director was a Hong Kong local, Douglas Gautier.

The production was immensely enjoyable. Performed in the 450 seat Shouson Theatre in the Arts Centre it somehow managed to create the light hearted atmosphere of its original setting—for a small auditorium. Claire Lyth had designed a gilded, glittering

set and although the English text was stilted and rarely felicitous it had the great advantage of involving the audience not only with the action but also with the characters. Here again enjoyment of the arts rather than any great interest in their uplifting or revolutionary purpose is most apparent, but from such circles raptures sometimes emerge.

In a double bill with Kati-gan's *Harlequinade* the Hong Kong Stage Club had unearthed *Two Gentlemen of Solo* by A. P. Herbert, presumably written in the 1920s for some late night theatre club. The Shakespearean spoof of bandying noble names into a gazetteer and killing off the cast sub-Hamlet would embarrass sixth formers today but the piece had charm in exposing just how rigorous was the reign of Jix and Home Office bushybodying in the 1920s. The Hong Kong arts may go far for a little self-censorship, but in a place where politics and philosophies are relegated into minority sports, this escapism view of life fits the mood of a colony where the future may not happen.

*The Secret Marriage* was a clever blend of locals and im-

## Bath plans to tour

Jack Phillips, who resigned as general administrator of Aldeburgh last October, is to become theatre director of the Theatre Royal Bath in June. His main task will be to develop touring productions of plays originating at Bath. The day-to-day running of the theatre will be the responsibility of Ros Cliffe who replaces Crispin Raymond. Mr Raymond remains on the board.

## Miss Julie' in the West End

Strindberg's *Miss Julie* starring Cheryl Campbell and Stephen Rea has opened at the Duke of York's Theatre. Clare Davidson's production was warmly reviewed on this page by Michael Coveney when first seen in January at the Lyric Studio, Hammersmith, designed by Dermot Hayes and with lighting by Dave Horn.

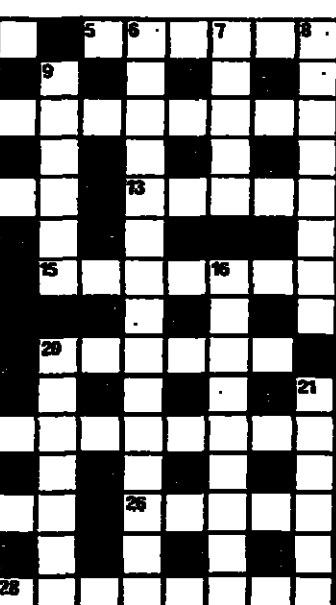
## F.T. CROSSWORD PUZZLE No. 5,116

ACROSS

- 1 Make nothing of the speech (8)
- 5 Dose up in a way that's unreal (6)
- 10 Tyro in attempt to become polished (5)
- 11 Invalid with flower in anger—'It's seaweed! (9)
- 12 Greedy, I dined after a tin's outpouring (9)
- 13 Are logs to base? Frequently (5)
- 14 Look at the American summerhouse (6)
- 15 You may get the needle trying to prevent it (7)
- 18 Sheer guts (7)
- 20 A case of society leading former PM? (6)
- 22 Here's a thing about period of retirement (5)
- 24 Without feeling hardly (8)
- 25 Runs excessively? (9)
- 26 It's a grind for the dandy, we hear (5)
- 27 Excitedly, Reg sat exams (6)
- 28 Turn to fewer bureaucrats? (8)

DOWN

- 1 The covering around is for a dier (6)
- 2 Current variations may come from them (9)
- 3 Take Tom's beef—hit badly (Got to cope somehow) (4, 3, 4, 2, 2)
- 4 Hope for a try? Not recently (4, 3)
- 6 Mistake in speech from cricketer—often he's with a clanger (4, 2, 3, 6)
- 7 Perhaps about a wartime vessel (1,4)
- 8 Frank's quality? (8)
- 9 Nan's attached to his watch (6)
- 16 Riding-hood once laden with this, in trouble (9)
- 17 Service providing odd speech? Just the reverse (8)
- 19 Kind of man weighed on board? (6)
- 20 Polish region (7)
- 21 Complaint—bother from neckwear, we hear (6)



Solution to Puzzle No. 5,115

ACROSS  
1. NOTHING OF THE SPEECH  
5. DISEASE  
10. TYRO  
11. INVALID  
12. GREEDY  
13. LOGS  
14. LOOK  
15. NEEDLE  
18. GUTS  
20. SOCIETY  
22. RETIREMENT  
24. HARDLY  
25. EXCESSIVELY  
26. GRIND  
27. EXCITEDLY  
28. BUREAUCRATS  
DOWN  
1. COVERING  
2. VARIATIONS  
3. TOM'S BEEF  
4. HOPE  
6. MISTAKE  
7. VESSEL  
8. FRANK  
9. NAN  
16. RIDING-HOOD  
17. SERVICE  
19. KIND OF MAN  
20. POLISH  
21. COMPLAINT

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## Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 4-10

## Opera and Ballet

## WEST GERMANY

Berlin Deutsche Oper: Lohengrin with Karan Armstrong and Peter Hofmann. Götz Friedrich's Aida has fine interpretations by Julia Varady and Gidon Sacks. The opera house features Siegfried Wagner and Martin Talmann. Idomeneo has Edda Moser. Salome, produced by Wieland Wagner, rounds off the programme (34.1).

Hamburg Staatsoper: Fidelio has Hainer Goldberg as Florestan and Lisbeth Balas as Leonore. Bach's Amadis, rediscovered after 200 years, is produced by Marco Arturo Macchi, conducted by Helmut Rilling and features Doris Soffel and Helen Dumit. Also Hoffmann's *Erzählungen* with Neil Shicoff in the title role as well as Der Liebestrank with an all-Italian cast. Der Rosenkavalier with Brigitta Fassbinder as Octavian, Helen Donath as Sophie and Hans Sotin as Ochs has been highly acclaimed (35.15).

## PARIS

Prokofiev's *Love of Three Oranges*—Opera Comique. (206.1220)

## LONDON

Royal Opera, Covent Garden: Carmen, with a cast brilliantly led by Agnes Baltsa and José Carreras, returns in triumph to Covent Garden after an absence of six years. Colin Davis conducts. (240.1086).

Sadler's Wells, Rosebery Avenue (278.8915): Ballet Rambert in works covering the company's history, from Ashton's *Capri Suite* to Alston's *Site of Spring*.

## NEW YORK

Metropolitan Opera (Opera House, Lincoln Center): First seasonal performance of *Madame Butterfly*, conducted by Eugene Kohn with Teresa Zylis Gara and Nicole Lorange. Also Don Carlo, La Bohème, and Der Rosenkavalier and the last seasonal performances of *Adriano Lecocq* and *Arabella*. (580.9830)

Jennifer Muller and The Works (City Center, 55th E. of 7th Av): Better known in Europe than her native America, Muller and company perform two world and three local

## WASHINGTON

Dance Theatre of Harlem (Opera House, Kennedy Center): Classically-trained dancers with a special interest in American forms and traditions have blossomed in one of America's best loved troupes. Their three-programme repertoire includes three premieres along with five familiar pieces, among them *Frederick* by John Tarras and *A Streetcar Named Desire* by Valerie Bettis. (254.3770).

## CHICAGO

Porgy & Bess (Arie Crown): This full scale revival with 90 actors and 56 piece orchestra will go on to New York to mark the 50th anniversary of the Gershwin classic in the ghetto. (781.6003)

## VIENNA

Staatsoper (5324/2655): Die Schweizer Fraue, U. Truostare, Der Barbiere von Sevilla. Volksoper (5324/2657): Das Feuerwerk. Der Graf von Luxemburg. Die Einführung aus dem Serail.

## HOLLAND

Nederlands Opera is presenting Der Fliegende Holländer at the Circus-theatre, Scheveningen and Amsterdam Stadschouwburg.

## International Property Review

Every Friday the Financial Times publishes a detailed review of the activities in the UK and international property markets. Specialist FT writers look at the background to the week's headline making news, profile leading personalities and examine trends in the property development market.

Similarly every Monday Financial Times journalists turn their attention to the building and engineering fields with particular emphasis on recently awarded British and international contracts, general industry news and feature articles on major developments in these important economic sectors.



## TECHNOLOGY

JAPANESE ENTHUSE OVER OFFICE AUTOMATION

## How Itoman took the plunge—and survived

BY ROY GARNER IN TOKYO

JAPAN MIGHT be the land of microchips and computer wizardry, but the task of effectively and profitably applying new technology to the "automation" of everyday office work has been just as much a worrisome leap in the dark for the average Japanese company executive as it has for his overseas counterparts.

Yet, the traditional readiness of the Japanese to ignore short-term profit margins in favour of long-term gains is once again paying off, and despite the difficulties of investment at a time of economic recession, many companies generally view O/A (office automation) in a positive way.

The result has been the emergence of a local O/A market worth in the region of ¥1,000bn.

A typical example of this forward looking approach to the office automation issue is provided by Itoman, an Osaka-based medium-sized general trading house with 1,300 employees, now celebrating its centenary year.

Early in 1981, Itoman's Tokyo office possessed just one personal computer and two English language word processors.

Now, as a result of barely two years of practical O/A experimentation an ambitious ¥2bn O/A investment programme will link its Tokyo, Osaka and Nagoya central offices, 40 or more subsidiaries, and other related offices nationwide, by means of a computer network system incorporating at least 300 office-based personal computer terminals, and other peripherals, connected to a remotely-located NEC Acos 750 large host computer.

By this extensive introduction of O/A equipment, Itoman has plans to restrict personnel, its most costly resource, to the present cost-effective levels, while maintaining the company's healthy turnover, which has doubled in the last five years.

Mr Norio Takahashi, Itoman's personnel manager, recalls that the decision to automate was initially a chance affair, triggered by a young employee and his keen interest in word processors.

Early in 1981 he attempted to put his hobby machine to gainful use in collating the voluminous data on iron and steel exports handled by his department, and his successes were sufficient to catch the eye of Mr Shouzo Tada, the managing director.

Tada held talks with company president, Yoshihiko Kawamura which led to a decision to experiment with O/A introduction as a means to get more work done in fewer man hours, something urgently needed after a difficult period of company re-organisation.

In Tokyo and Osaka, 30 personal computers and five Japanese word processors were installed and a new "office automation section," staffed by 10 young women employees, was established, with the initial aim of cultivating resident expertise in computer use.

No specialists were available within the company, but an O/A enthusiast, Mr Yoshiaki Otsuka, was given the new full-time post of O/A section manager and NEC, the main hardware supplier, assigned an expert to instruct staff in basic programming techniques.

A further boost to the project was given in April last year when 10 women university graduates were recruited especially for the O/A department.

None had any previous experience, and for the first three months they received a series of lectures on handling the equipment, and training sessions were organised, based around real office work.

Takahashi says that it took from one to two months for the O/A staff to master the simplest programs, though all are now proficient in computer use. One thing learnt quickly was that the easiest program can lead to greater efficiency and that there is no correlation between the difficulty of a program and the efficiency it achieves.

To illustrate, he cites the case of a simple program designed to handle the calculation of rent-sharing between different trading sections in the Tokyo HQ. The job previously took five staff one week to complete,

but is now done in 30 minutes by one employee with a personal computer terminal.

Throughout the company the instruction was given, from the start, for all employees to look out for elements of their work which were tiresome or repetitive and which might be suitable for automation. One outcome of this was a further simple discovery, that automation is not always the answer in the search for the most effective working practice. Nevertheless, a total of more than 100 programs have already been successfully applied.

As a result of the O/A drive a key objective has already been realised of freeing staff from the "service" areas of work to the "sales" side of the business. This ratio of "sales-service" has shifted from seven to three in 1981, to eight to two at present, and a ratio of nine to one is the eventual target.

**Division**  
The division is also one of the sexes, as it is almost exclusively women who are being assigned to the computerised office work and men to active sales positions. Looked at on a national scale this is a clear trend, and explains the growing demands on female Japanese job hunters to offer O/A literacy.

It is also a factor behind the increasing problem of female unemployment. In many cases it is the business sections employing women which are being most speedily rationalised by the "O/A book."

The bright side of the cloud, however, is the growing market for agency and freelance computer work, including that done at home on borrowed terminals, and Takahashi points out that, once a girl has O/A experience, the openings for work increasingly will not be limited by mobility, age or marital status. Itoman's initial O/A investment, in about 80 machines at approximately ¥1m apiece, and in costly personnel training, has been substantial, Takahashi claims, however, that the "break-even" point, when increased efficiency will cover investment costs, is foreseeable "during this year," and suggests the whole process might



Mr Norio Takahashi of Itoman with word processing equipment: optimistic that office automation will solve growing labour cost problems

typically take between two and three years.

Manufacturers both assist and are assisted by such ventures. According to Takahashi, almost every machine throws up "some problem, some inconvenience," and this information is passed on to the manufacturers who upgrade the installed units "almost month by month."

Itoman uses the equipment of several makers and avoids dependence on one company for this reason; applications are so diverse, a wide choice of unit is essential.

O/A organiser, Otsuka, says that the chief difficulty in his task has been the established mentality of the regular staff.

The hardest group to influence has been those busy on daily sales-related jobs who "don't realise that they can save time" by scheduling computer study periods. Resistance also arises because most company graduates have an arts background and are "not interested in machines." In general, the older the employee the less willing he is to take part.

In future, all newly-employed Itoman staff will receive basic O/A instruction, and employment interviews will stress the important role that computers are to play in employees' daily life.

There will also be special training schedules during the introduction of the new MINT (Management Information Total Network System), a process which will take a year, beginning this October.

Each "service-side" employee

will receive two weeks of training, starting on the present equipment, though Takahashi expects this will not be long enough.

By use of the MINT equipment, Itoman plans to achieve a smoother centralised system of statistics control and management, and to further close the communication gap which still exists between the accounts and the trading sections of the company.

Takahashi claims that setting up the O/A section was "very much a successful move" and points out that the national trend in Japan is towards a rapid ageing of the population—something he describes as the main background for the introduction of O/A. He is optimistic that O/A use will

solve his company's central problem of growing labour costs.

The average age of Itoman employees is 38-plus, and other Japanese trading companies are "this or more," in contrast with manufacturers, which have an average of around 28 years; a difference which highlights the fact that, for various reasons, certain companies are more suited to effective automation of office work than others.

Takahashi scorns the notion that O/A introduction will take away jobs, believing that where automation is properly applied "another work will be born." In his words, "this same fear must have been discussed when Charlie Chaplin performed in Modern Times."

## RESEARCH

## NTT chip advance

RESEARCHERS at the Nippon Telegraph and Telephone Public Corporation (NTT) have developed a cheaper way of making very large scale integrated circuits. Much of the work has been carried out at the organisation's Musashino Laboratory.

Apparently researchers have developed a better way of isolating one transistor from another on the silicon chip. In this process a transistor is first covered with porous silicon, then the covering is oxidised to form the insulation layer.

Researchers in the lab say that the chief application is in CMOS technology often used in

communications equipment. A CMOS logic 151, according to the company is 30 per cent faster than an equivalent CMOS circuit and consumes 40 per cent electricity. The basic CMOS process is already widely used in the industry because of its low power consumption. Consumer goods such as digital watches and calculators are extensive users of the technology.

Also a 16k bit memory circuit was test-manufactured by the new process. Results showed that the memory had an access time of 35 ns, which makes it the fastest of its kind say NTT's researchers.

## Networking

## Centre-file harvests wine data

CENTRE-FILE, the NatWest computer services subsidiary, is to supply a communications network for the daily collection of data from some 900 Victoria Wine shops.

Thorn-EMI Microlog of Bedford is to supply FOS terminals for 210 of the branches in phase two of the project. Phase one has been on trial since September 1981 when 48 Microlog terminals were placed in 27 branches.

When completed, in about three years' time, the network will probably be unique in Europe in terms of point of sale networks.

Information on all aspects of each shop's business is retained by the POS terminal as a by-product of normal till operations. A summary of individual product sales, stock levels, goods received and till activity is recorded on a daily basis and automatically sent to an IBM 3433 at Centre File's London Centre.

Once a week (or daily during the Christmas rush), Centre File will process the information to produce trading information. Every month information will be produced for each branch and area as well as national totals.

## Machining

## New CNC models from Danobat

DANORAT of Spain, part of the Mondragon Workers Co-operative, which introduced its first cylindrical grinding machine more than seven years ago has announced a range of three CNC new models, each offered in straight or angular configurations.

The three types offer length capacities of 600, 1,000 and 1,500mm with workpieces up to 500kg and a maximum grinding diameter of 350mm. Danobat (UK) is on 0925 824800.

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## Computing

## Datapoint's personal computer

THIS WEEK Datapoint, the Texas-based small computer and telecommunications group, will launch its latest machine aimed at personal computing in large organisations.

Datapoint is hoping to sell large numbers of its new micro-computers into organisations which have a wide variety of computing needs. Its model 1600 comes with a networking facility so that it can link into any ARCNET local area network.

ARCNET is the local area network introduced by Datapoint in 1977. It was one of the first companies to do so.

The company is aiming to sell between 2,000 to 30,000 systems in the first year. Primarily it will be selling to its existing customer base. Its equipment has been installed at 7,000 sites around the world.

Datapoint spent nearly 9 years on research and development and has plans for a steady stream of new products. It hopes to become a major force in integrated office technology. However, its progress towards that end has been rather bumpy. Last year its profits took a sharp dip though sales continued to increase to some U.S.\$508.5m.

## Micromotors

PORTSCAP UK have launched an improved version of their Escap 712L and M915L rectangular d.c. micromotors. The company says that both models are now available for operation at 2V d.c. which now makes them suitable for operation with digital circuitry. Further information can be obtained on 0734 861485.

## CONTRACTS

## George Dew wins £2.5m orders

GEORGE DEW INTERNATIONAL (DUBAI) has been awarded a contract valued in excess of \$m Riyals (£1.5m) by the State of Qatar for the construction of a nursery and plant production complex at the University of Qatar at Doha. Work is scheduled for completion in late January 1985. Situated some 25 km from the centre of Doha, the complex will cover an area of 26,000 sq metres. It will include two propagation houses, each 8.5 metres by 36.6 metres, a complete irrigation

system with reverse osmosis plant, and 1,500 sq metres of windbreak fencing.

In the UK, G. Dew and Co. is carrying out two contracts (together valued at £1.6m) for the North West Water Authority. The contracts cover replacement sewerage systems in Lancashire and Cheshire.

**PYE TTY**, the broadcast company of Philips, has received an order from Tele-Aruba worth about \$86,000. This is for a 1 kW Band III transmitter and

a set of comprehensive test equipment for the tropical island of Aruba in the Netherlands Antilles. It will replace an earlier Philips transmitter.

**NORDBERG MACHINERY**, London, part of the process machinery division of Rexnord Inc, Milwaukee, U.S., has secured a contract worth \$356,000 (£232,000) for a complete aggregate production plant for installation in Algeria. The order was placed by the Indian Railway Construction Company,

New Delhi. The "package" includes primary jaw crusher, cone crusher, screens, conveyors and centrally located control module. The plant will be capable of producing 150 tonnes of end-product per hour.

Nordberg also has a contract with Bhasin Associates (P), New Delhi, for the supply of an aggregate production plant for shipment to Iraq. The contract worth \$135,000 (£88,000) included secondary cone crushers and screens.

The Boots Company has placed a contract with OTTO HANSEL GmbH for a continuous high boiled sugar plant, a Sucroliener 1706, for the production of Strepsils, an antiseptic throat lozenge. The order value, over DM 2.25m (£805,000) is part of

an investment scheme for Strepsils which The Boots Company is undertaking on the Beeston site. The plant is scheduled for production in the autumn of 1983.

**CHICAGO BRIDGE AND IRON COMPANY (CBI)** has been awarded the contract to supply nearly 12,500 tons of fabricated steel deck sections in conjunction with the refurbishing bridge work on the famed Golden Gate Bridge. CBI will fabricate steel deck sections to replace the weathered concrete road surface and its supportive members, which are badly deteriorated due to exposure to coastal climatic conditions. The refurbishing design will substantially reduce the bridge deck weight and will ultimately result in lower main-

tenance costs. Deliveries will begin in mid-June, with final shipments a year later.

**ROCKWOOL** rock-fibre insulation has been chosen to insulate a turbine and feed heating plant and in addition keep noise levels to 90 decibels. The fourth of six turbines at the Central Electricity Generating Board's Drax power station at Selby, Yorkshire, is using wired matt, slab and pipe insulation at a total cost of \$55,000. The material is being supplied to Darlington Insulation Limited for the contractor, NEL Parsons and noise levels guarantees have been made to the CEBG. If noise levels exceed 84 decibels extra layers of rock-fibre insulation will be applied.

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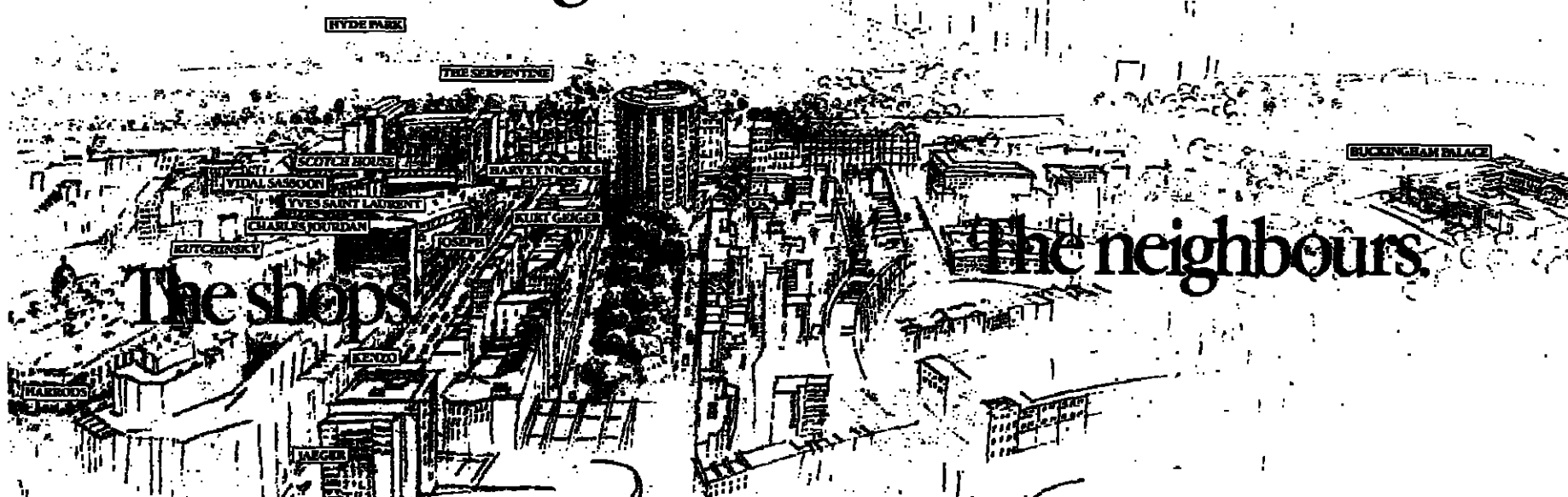
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## THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

## Why companies go bust

BY TIM DICKSON

A RECORD 12,000 businesses in England and Wales went into liquidation last year—but according to insolvency experts called in to pick up the pieces a high proportion could have avoided that fate.

While the recession has bitten badly into the order book of companies big and small, a straw poll of leading "corporate undertakers" suggests that many insolvent businesses were found to be badly managed and that poor management systems were most often responsible for their demise.

Says Peter Souster, insolvency partner at Howard Tilly, a medium sized firm of accountants: "In my experience of liquidating companies' management accounting systems are rarely either up to date or even in existence."

"Too many people rely simply on audited accounts which, by the time they are prepared, could be months if not years out of date. It doesn't really matter whether you're making a profit of £10,000 or £15,000 when things are going well but it is absolutely essential to know what is happening when the going gets rough."

Surprisingly as it may seem Souster lays much of the blame on his own profession, not on the entrepreneur. "The accountant should work alongside his client and help him develop a regular reporting system. I believe that accountants are becoming more aware of the problems but they are not being nearly forceful or aggressive enough. Admittedly some businessmen do not listen but the profession has got to market itself much better to those who will."

Experts stress that one of the most vital uses of management accounts is regularly to monitor cash flow—money coming into the company each month minus money going out. "The most immediate cause of companies going out of business is cash flow difficulties," says Malcolm London, insolvency partner of Cork Gully. "Cash flow is the lifeblood. Too often people concentrate on whether they are making a profit but if this profit is tied up in debtors or work in progress and there is not enough to pay the bills then that profit is not much use."

Discussing typical causes of insolvency, London cites businesses which do not respond sufficiently quickly to changes in the market place—a frequent malaise in the fashion trade—and those which have not kept up to date with new production techniques—a common failing in the engineering sector.

Inflation, he says, has also played its part. "It is amazing how many companies have not realised just how much is needed at a time of rising prices to replace capital. Quite often a staggering volume of turnover and debt has been built up by a business whose capital base has been reduced to next to nothing."

The tough trading conditions of the last two to three years, of course, have generally hit small companies much harder than big ones. Explains London: "In a recession, big companies start going for the smaller orders they would normally ignore and often cut their

margins to the bone. They can afford to do this because of their larger capital resources. A smaller business has far less scope to compete."

Management succession is the root of many a problem identified by insolvency experts. "I was recently called in to investigate a company in the pressing and stamping business which had been built up and was still being run by two brothers in their 80s," recalls London. "The sons, who were in their late 40s, were being treated as mere boys. Not surprisingly it was being run in an extremely old fashioned way and was not going to get out of its difficulties until the style changed."

On the question of management accounts, Cork Gully stresses the need to monitor forecasts on a regular basis. Accounts should also be interpreted sensibly. "I know somebody who could tell me exactly how much every product cost but it didn't occur to him to question whether it could be done more cheaply," says London.

"Having said this it is rare to find a company in receivership or liquidation which has a good management accounting system."

Over at Arthur Andersen, Chive Shering, an insolvency partner, confirms that management accounts are mostly to blame. "So many people say 'if only I'd known such and such a month earlier'."

Small companies, he says, too often rely on one big customer and come a cropper if that customer gets into trouble. "Businessmen," he adds, "are

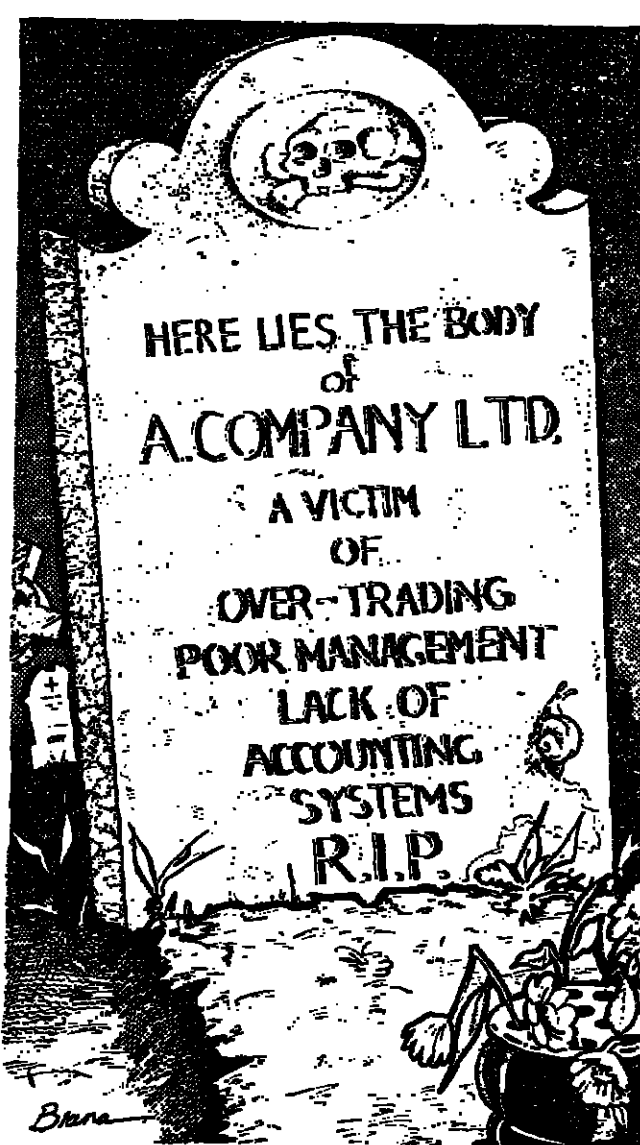
never brutal enough when collecting their own debts. They feel, of course, that they will jeopardise relationships with their customers but it is much more in their interest to chase up money which is, after all, legally theirs than to lose the entire value of a sale."

Although many mistakes can be avoided, Shering lays part of the blame for some recent insolvencies squarely at the door of the Customs and Excise Department. "Following the 1981 Civil Servants' strike the Government authorities have been very lax in catching up on delinquent businesses which owe them VAT."

Many small companies have not put the money away and have turned a blind eye to what is often a major liability. We had one case recently where 18 months of VAT payments were outstanding. But if the authorities had been quicker, off the books the company would not have got itself into such difficulties."

Shering pointed out that like the Inland Revenue and Customs and Excise, the Department of Health and Social Security is a preferential creditor in respect of unpaid National Insurance contributions. If these contributions remain unpaid, moreover, the directors can be held personally liable.

The liquidation experts stress that there are a number of reasons why companies get into trouble or fail. Based on conversations with many small businessmen, Dun and Bradstreet has compiled a book highlighting them. A summary appears on this page.



The path to the graveyard: pitfalls of management

1. Lack of experience. It generally pays to stick to what you know.
2. Lack of capital. Most new companies are undercapitalised.
3. Unplanned expansion. Growing too fast can bring cash problems.
4. Stock mismanagement. Trouble arises if stocks are too high or too low.
5. Credit problems. Don't forget to get the money in.
6. Wrong location. Don't pay too much, but then don't penny pinch.
7. Too much capital going into fixed assets.
8. Taking too much out of the business yourself.
9. Staff problems. Don't forget the human factor.
10. Red tape. Be prepared for frustrations with the VAT and tax man.

This list is based on the "Pitfalls of managing a small business" and how to avoid them," a book to be republished by Dun and Bradstreet later this year. Other publications which may be relevant are Tolley's Expansion Kit for Business, written by accountants at Touche Ross. Published by Tolley Publishing Company, 208, High Street, Croydon, Surrey CR9 1AB. Price £4.95. Financial Control for the Small Business, by F. Leslie Coventry, is published by Rose/Jordan, P.O. Box 260, 15, Pembroke Road, Bristol, Price £4.

## Europe

## Plan for rating member states in order of merit

A COMPARATIVE study of the small business climate in 10 EEC member states is about to be started by the Economist Intelligence Unit (EIU).

The research has been commissioned by the UK's Organising Committee of the European Year of Small and Medium-Sized Enterprises (SMEs) and the results will be presented at a conference in Scotland in September.

The idea is to rank the 10 countries in an order of merit based on the advantages and disadvantages SMEs are experiencing. A similar exercise has been performed by the Magazine for individual states in the U.S. where Texas emerged as the overall "winner", followed by California and Colorado.

The EIU has been given £50,000 by the European year committee to fund its research and a further £50,000 in time and services is expected to be contributed by Governments and European Community officials.

Graham Bannock, managing director of the EIU and author of the Shell-sponsored seven-country study of small firms, explains: "We will be looking separately at subjects such as the role of the state, the availability of capital and labour, the tax environment and general economic conditions."

"Small business is an emotional subject so I am hoping that as many of our conclusions as possible will be based on factual material. There will be interviews with bankers, economists, venture capitalists, civil servants and businessmen in the 10 countries."

The plan is that the EIU's work will be completed by a panel of assessors, whose main task will be to assign "weights" to each category under consideration. The scoring system will be based on a scale of 100 points but there are say, five headings, each will not necessarily carry a maximum of 20. (The Inc study is based, for example, on five categories but two themes—capital resources and state support—considered in the U.S. to

be the two most critical factors, are awarded a disproportionately high 35 points each.)

The assessors of the European study will be headed by Vernon Weaver, now an investment banker but formerly the head of the U.S. Small Business Administration under the Carter administration.

He will be assisted by Diarmid McLaughlin, a senior European Community official and a director of the Economic and Social Committee, and Bill Pooton, chairman of the British Union of Independent Companies (UIC) and a UK member of the Economic and Social Committee.

"As a result of these investigations a comparative table will be drawn up illustrating the advantages and disadvantages experienced by SMEs in the member states," comments Pooton. "It will make clear to SMEs throughout the EEC where they stand in relation to each other."

Adds Bannock: "On the basis of previous work I have done I would be most surprised if the UK ranked higher than fifth."

More details are available from the European Year UK Office at 2 Queen Anne's Gate, London SW1. Tel: 01-689 1945.

T. D.

## In brief...

A VENTURE CAPITAL conference, co-sponsored by the Financial Times, the Scottish Development Agency and Venture Economics, will be held at the Caledonian Hotel, Edinburgh on April 21 and 22. The conference will look in some detail at how venture capital techniques are being applied in Britain and Europe and will include special sessions on "Universities as a seed bed for Entrepreneurs and Enterprises" and "Local Venture Capital Initiatives." Details are available from the FT Conference Organisation, Munster House, Arthur Street, London EC4A 3AX. Tel: 01-621 1355.

## The vital need for regular reports

"A GOOD 75 per cent of my clients are losing money on a month-by-month basis," says Mike Sallinger, 34-year-old owner and managing director of Accounting Information Development Service (AIDS). "Most of them, you see, are seasonal businesses which live for the Christmas trade."

Sallinger makes the point to stress the vital need for regular reporting. "It's particularly important for companies with an uneven pattern of trade to know what is happening so that

they can trim wages and costs in line with turnover," he adds.

His convictions are hardly surprising perhaps for through his company Sallinger has been supplying small companies for the last 11 years with monthly management accounts. Today his business has 350 clients nationwide, employs 35 people at its London office and is currently embarking on an ambitious franchising programme to develop the services more widely throughout the UK.

AIDS' service takes a host of straightforward book-keeping information, feeds it into a computer and returns it in a form which can be used by management, bank managers and other financial advisers and auditors. This may not in itself be new, but AIDS maintains that the advantages its service offers are a well tried and sophisticated software and a staff of accountants—not "computer specialists"—who carefully vet information from

clients before it goes into the computer. "If you put garbage into a computer you end up with rubbish," comments Sallinger.

Sallinger's charges are related solely to each transaction. He says a typical client—companies are mostly to blame. "So many people say 'if only I'd known such and such a month earlier'."

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Tuesday March 8 1983

## Germany votes for stability...

WEST GERMANY now looks capable of producing four years of stable government under a coalition of Christian and Free Democrats headed by Chancellor Kohl. Herr Kohl is a moderate conservative and will depend for his support on the liberal FDP, so there need be no talk about any extreme move to the right. Between them the two parties will have a comfortable majority in the Bundestag. That is plainly what the bulk of the electorate wanted.

There is nothing displeasing in the election result for West Germany's allies either. President Mitterrand of France is a Socialist, but clearly preferred the Christian Democrats' defence policy even though the result seems certain to force a re-alignment between the D-Mark and the French franc. Franco-German relations should continue unimpaired, as should Bonn's relations with London and Washington.

One major question in the formation of the Government still has to be cleared up: that concerns the position of Herr Franz Josef Strauss, the leader of the Christian Democrats' sister party of Bavaria. It is no secret that he would like to be Foreign Minister and he is entitled to press his claim by arguing that while his own party's share of the vote held up, that of the Free Democrats—who held the post at present—went down.

Herr Strauss is a clever and experienced man who has recently made some impressive statements on east-west relations. It would not be a mistake to appoint him, even if the political odds seem to favour Herr Genscher.

**Inquest**

The chief breakthrough in the elections was made by the Greens who are entering the Bundestag for the first time. With such a strong tide of anti-nuclear opinion running in Germany, it is better that this should find expression through the political process than through the political process. In balance, therefore, we prefer to see the Greens operating inside Parliament rather than outside. Quite the worst result would have been if they had been kept out by winning only a fraction less than the 5 per cent of the vote necessary to get in.

It seems likely, however, that the arrival of the Greens will have some effect on the Social

Democrats, who in any case will be undertaking a major inquest on their own performance. The SPD's share of the vote fell to its lowest since 1961. Just as striking, the gap between the two main parties is now more than 10 percentage points, the biggest for more than 20 years. The Social Democrats have had a remarkably good run ever since the Party broke with Marxism at the Bad Godesberg conference in the late 1950s. Under the leadership of Herr Helmut Schmidt they were said—even by Christian Democrats—to be providing the country's best CDU Chancellor. But the price may have been that they departed too far from their roots. A period of internal debate will be no bad thing, whether or not the success of the Greens tempts them to the left.

**Deadlock**

Herr Kohl's coalition, though led by a different personality, may turn out to be in policy terms not very different from Herr Schmidt's at its best. The dividing line was never all that marked. In the election, it was clearly out of the way with a conclusive result, some of the issues are not the deployment of cruise missiles and Pershing 2s, for example.

While Herr Kohl's victory is a relief to the Atlantic Alliance, the fact remains that the talks between the Americans and the Russians in Geneva are still deadlocked on all central questions. Moreover, the target for the initial deployment, if there is an agreement, is around the end of this year. It is vital that the German election outcome does not lead to complacency on the arms control issue.

We would not suggest that the West should change its negotiating position overnight; but with the prospect of a firm government in Bonn, the Alliance should be pursuing more positive opening. The meeting of NATO's Special Consultative Group next week should be the occasion fully to review the situation.

The election result ought also to be a relief to Moscow. West Germany has voted in favour of the Alliance and for a Government ready for at least some deployment. Appreciation of that may persuade the Russians to move, too.

## ... but Australia opts for change

MR BOB HAWKE, victor in the Australian election moved swiftly by devaluing the Australian dollar. The spot rate had remained steady in yesterday's dealings, though the forward rate did anticipate a steep decline in the exchange rate.

In the stock exchange the Labor victory was taken calmly. Prices held their own. Devaluation improves the profitability of the mining industry since its costs arise in Australian dollars whereas the price for its output is fixed in U.S. currency.

But, as Mr Hawke would probably be the first to admit, there are sterner and more significant battles ahead for the Prime Minister-elect. An unemployment rate of 11 per cent is an unaccommodated worry in a country which, a few years ago, appeared to be set on the path to ever increasing prosperity. Inflation at an annual rate of 11 per cent threatens Australian competitiveness in a world where others have had more success in curbing price increases.

Mr Hawke has called for an urgent report on the ballooning federal budget deficit. It remains to be seen how far his heart will affect his thinking. In the meantime, it is probable that Labor's expansionary fiscal policy will add to the inflationary impetus that has built up.

**Relief**

Political pressure for an immediate devaluation built up after Labor's victory was known in order to meet head on the prospective strains on the Australian dollar. But a devaluation offers no more than temporary relief since Australia relies on capital imports to balance its external accounts and to provide funds for the development of its own resources. Labor is playing with fire by proposing measures liable to deter foreign capital.

That applies to proposals for extending Australian ownership in industry as well as the resources rent tax which Labor wants to bring in. It would act like an excess profits tax and have little immediate effect because the mining industry is not at present particularly

profitable. But lead times in mining are long: the prospect of such a tax once profitability is restored cannot but act as a disincentive.

Likewise the wish, widespread in the Labor Party, to restrict the mining and export of uranium looks different depending on whether you take a short- or long-term view. At present there is an international glut of uranium explained in part by the recession, which has caused foreign demand for the metal to be revised downwards; and in part by opposition in many countries to the use of nuclear power. That state of affairs need not be permanent, and Australia would be wise not to slam any doors.

**Centrepiece**

In the past, Mr Hawke has opposed the anti-uranium lobby. He should now be in a strong position to squash the Left, but to do so he will have to summon his considerable powers of persuasion.

Those powers will be needed even more if Mr Hawke is to make a success of what, so far, has been made to appear as the centrepiece of his policy: a new social contract between the Government, business, and Australia's notoriously aggressive trade unions.

Similar tripartite bids for social consensus have been made in other countries with varying degrees of success. The lesson is that without the right economic policies, consensus is bound to remain ineffectual, not to say a sham. In the case of Australia, the acid test is going to be whether Mr Hawke can persuade the unions to moderate their wage demands. His record as a moderate and successful leader of the Australian Council of Trade Unions lends support to the hope that he will succeed.

A renewed wage explosion, a restrictive attitude to foreign capital, and a rising budget deficit would prove a dangerous mixture. Mr Hawke won the election largely on the strength of his personal appeal: he should now use that appeal to force Australia to face up to hard choices.

AN unlikely-looking hero has emerged from Sunday's general elections in West Germany. He wears a stocking cap with a bobble on the end, has longish nose and looks perpetually outraged as bureaucrats try all kinds of tricks to plunder his wallet.

This is not the kind of character who, on the face of it, seems predestined to send German share prices soaring, boost the D-mark and excite a euphoric phone call to Bonn from President Ronald Reagan. Yet the "German man-in-the-street"—as portrayed in countless cartoons over the years—has just achieved all these things (though strictly speaking one should talk about the "person in the street" since more women than men voted in this election).

Altogether flattered and pressured by the superpowers, blasted by election campaign slogans and nearly buried under a snow of economic statistics, German voters have impetuously produced an effective and well balanced parliament.

The new Bundestag (lower house of parliament) will have enough conservatives and centrists to keep Bonn on a pretty steady course. But there will also be a strong minority of leftists, ecologists and—yes, even pacifists—to stop the Government becoming too complacent.

Not that Chancellor Helmut Kohl will have much time for complacency. Now that his centre-right coalition has been handsomely confirmed in office, a lot of people at home and abroad will be looking to him with high expectations.

Business and industry are confidently awaiting a new and better deal for the private sector. Confidence reflected in higher share prices and a stronger currency which seems bound to need revaluation in the European Monetary System (EMS) before long.

The U.S. Administration—freed of its fears that the West Germans might turn nationalist—may well pile on the pressure for a greater defence budget contribution from their most important European ally.

For Moscow, Herr Kohl was hardly pleased about the way the Russians interfered in the German election campaign in a way which might have benefited his opponents. But he knows that dialogue with the East remains essential—and that any broken fences will have to be mended.

Taking the smallest—and noisiest—group first, the Greens have good cause to feel pleased with themselves. They have at last managed to clear the "5 per cent hurdle"—the minimum voting support needed under German law to enter the Bundestag.

Once again German voters had shown they did not want to lose an insurance policy against the excesses of the political left and right which the FDP represents.

All that said, you might have expected the most obvious cause of the future of Sunday night to be the victorious Chancellor Kohl. But as he pushed his way through the throng of supporters shouting "Helmut, Helmut," and later as he did the television cameras, he looked more serious than he has done in public for many weeks. There are several probable reasons why.

For one thing, Sunday's result was a great personal as well as political vindication for Herr Kohl after what has been

Leftists, ecologists and pacifists will prevent too much complacency

## The gamble that paid off for Herr Kohl

By Jonathan Carr in Bonn

Also delighted with their performance were the liberal Free Democrats (FDP)—even though with 6.8 per cent of the vote and 24 Bundestag seats they only managed the second worst result in their history. But many people felt it was a remarkable achievement for the liberals to survive as a parliamentary force at all. In the last general election in October 1980 they won 10.6 per cent of the vote, not least on the strength of their promise of another four years of rule with the Social Democrats under the then Chancellor Helmut Schmidt.

Their decision to vote with the conservative opposition last October to topple Herr Schmidt and install Herr Helmut Kohl as Chancellor brought the liberals intense internal strife and their countrywide support plummeted to around 3 per cent according to opinion polls. Little wonder that the FDP leader and Foreign Minister, Herr Hans Dietrich Genscher, seemed almost to glow with satisfaction on Sunday night.

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For one thing, Sunday's result was a great personal as well as political vindication for Herr Kohl after what has been

a pretty dismal decade for him in Bonn. The Chancellor's immediate reaction, therefore, was not so much euphoria as the repose of one who has at last "made it" after countless setbacks and disappointments.

A former Prime Minister of the state of Rhineland Palatinate, Herr Kohl has constantly been accused of having a provincial outlook, and of being only a "temporary solution" to the longstanding leadership problem of his Christian Democratic Union (CDU). Above all, people inside and outside the party compared Herr Kohl unfavourably with the CDU's founder and West Germany's first Chancellor, Dr Konrad Adenauer.

Even Herr Kohl's election as Chancellor last October, I had bitter taste about it. He became head of government, not through a national mandate, but through a parliamentary vote of no confidence, with the FDP switching all to push the country's most popular politician, Chancellor Schmidt.

Not satisfied with that basis alone for his Chancellorship, Herr Kohl was determined to push through a premature general election. Quite apart from the political risk of this—above all that the FDP might have been extinguished as a parliamentary force and hence also as a government partner—there were constitutional hurdles to clear too.

In the event Herr Kohl's gamble has paid off. He has led the Union parties—the CDU and its Bavarian ally, the Christian Social Union (CSU)—to their biggest victory since 1957, when they won 50.2 per cent of the vote under Dr Adenauer. Never before or since has any West German group touched the 50 per cent mark in a national election—and Herr Kohl must be highly

relieved that the CDU-CSU "only" managed 48.8 per cent this time.

The reason is that the FDP has long said it would not form a coalition with any group which won an absolute majority—and Herr Kohl is very keen to see the Union's alliance with the liberals continue. Quite apart from the fact that he is a close friend of FDP-Leader Herr Genscher, Herr Kohl is a centrist in the Union who sees the presence of the liberals in government as a counterweight to his own right wing. That means, above all, as a balance to the CSU and its ebullient leader, Herr Franz Josef Strauss.

So far Herr Strauss—one of the country's most experienced politicians, with a silver tongue and a quick temper—has not had a cabinet job in the CDU-CSU-FDP government. Many of his supporters now feel the Bavarian leader will stake out a claim to become Vice-Chancellor and Foreign Minister, thus trying to push Herr Genscher out of both offices.

That is just one of the personal problems—though probably the most pressing one—to face Herr Kohl in the coming days as he seeks to put his new cabinet together. And already familiar warning voices are being heard in Bonn repeating the alleged remark of Herr Strauss that "I don't care who is Chancellor under me."

That may also be part of the reason for Herr Kohl's serious air on Sunday night—although the Chancellor can content himself with the knowledge that he has bested Herr Strauss several times before in Union Party infighting. An industrialist who has been close to Herr Kohl for years even went so far as to say privately that the CDU leader had a "political killer instinct"—at odds with his mild

appearance—which accounted for his emergence, and confinement, as Chancellor.

Be that as it may, a more pressing cause of Herr Kohl's preoccupation must surely be the sheer extent of the policy problems facing him—at home and abroad. True, the Chancellor campaigned strongly on behalf of the NATO alliance and, in particular, of its nuclear missiles strategy where the stance of the SPD was in doubt. Herr Kohl always made it clear that if the superpower talks in Geneva did not achieve full success, then West Germany under his leadership would start to deploy new U.S. missiles on its territory from the end of this year. Hence the deep desire in Washington, London and Paris for a Kohl election victory—and the great relief (example) that the SPD's future is gloomy indeed—and already there are those suggesting the Social Democrats will be out of office for very many years. But this sort of talk has often been heard before in West Germany. During the 1950s and 1960s the CDU-CSU was continuously in power and many people talked as though the Union had a "divine right to rule."

In the 15 years of SPD-FDP coalition from 1969 the talk was of a "historic alliance" implying that the Union had failed to read the signs of the times. Now it is the Union's turn again—but it is also a chance for the SPD to oppose to the Union where it was wrong and draw the necessary personnel and policy conclusions. The last six months have confirmed that the German public is perfectly open to political change—so long as it does not happen too often and is not drastic. It is a comforting message for The Federal Republic's neighbours and allies.

In the European Community too, Herr Kohl has underlined his attachment to greater political and economic unity over the last five months—but now official decisions are at hand. The Chancellor seems certain to stress, for example, that while Bonn is ready to go on being the biggest net financial contributor to Brussels, it will insist



on a *quid pro quo* to protect its national steel industry from more highly subsidised competitors.

At home, a big part of the Union's campaign strategy was based on the slogan "Vote for the (economic) uprising." The CDU-CSU argued that only less state interference, less government borrowing and a firm boost to private enterprise would guarantee more economic growth and fewer jobs.

However, in its brief period of office since last October, the centre-right coalition has produced only a faint outline of steps to achieve these aims. Voters supported the Kohl-Genscher alliance, partly on the strength of the promises about better economic things to come and partly because inflation and interest rates were falling (a process which, however, began well before the centre-left coalition under Herr Schmidt collapsed).

Now the German public will be expecting action—and may be in for some disagreeable surprises if the Government resolves to reduce state borrowing drastically through sharper cuts in social security benefits.

Meanwhile, although unemployment will sink from its current level of 3.5m (or more than 10 per cent of the labour force) during the summer, it seems bound to be heading up towards the 3m mark again next winter.

This is a field where the Government alliance will be under fierce attack from the Social Democrats in parliament. During the election campaign the SPD Chancellor candidate, Dr Hans-Jochen Vogel, accused the centre-right coalition of being a "do nothing" government relying on the self-healing power of market forces.

Clearly neither argument, nor the SPD's own plans for state-induced "job creation," carried decisive weight with the voters. It was not a surprise how many of the SPD's traditional supporters in heavy industrial areas like the Ruhr deserted for the Union in this election. Many trade unionists were suspicious of Dr Vogel's campaign—clinging with the Greens, and this undermined their confidence in the SPD's remedies for unemployment too. That is precisely the danger about which Herr Schmidt warned: a "historic alliance" was certainly a factor causing the SPD to slump to only 38.2 per cent of the vote this time—the poorest result since 1961.

That might seem to indicate that the SPD's future is gloomy indeed—and already there are those suggesting the Social Democrats will be out of office for very many years. But this sort of talk has often been heard before in West Germany. During the 1950s and 1960s the CDU-CSU was continuously in power and many people talked as though the Union had a "divine right to rule."

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## Men & Matters

### Company vote on party cash

As James Pilditch says, new ideas are the basis of his business—the market research to micro-chip group Aidcom International, one of the stars of the Unlisted Securities Market.

And Aidcom, he thinks, may just have found an acceptable solution to the vexed question of company donations to political parties.

Each year, Aidcom tries to do its bit for "social responsibility" by helping some cause or other. In the run-up to a general election this year, it decided to put £25,000 into politics. "After all, we want a virile democracy, don't we?" says Pilditch. But which political party should get the money? That was the question.

Aidcom's board decided that since everyone in the company had helped to make the money in the first place, all should have a say in its disposal.

The Electoral Reform Society conducted a secret, postal ballot of the 250 employees. They voted 46 per cent Conservative, 18 per cent Labour, with the rest evenly divided between the Liberals and others.

Aidcom's £25,000 will now be divided and distributed among the parties in those proportions.

"We did a small, pilot study to find out if it was possible to consult shareholders in the same way," says Pilditch. "But there are obvious difficulties about what you give, say, to a pension fund that holds a lot of shares."

He feels confident Aidcom's shareholders will approve what has been done. "It seems to me fair, and it is open and above board."

The method might help to remove some of the inhibitions which many companies still feel about making political donations, Pilditch suggests, and put more money into the

generally hard-up political parties.

It will be interesting to see how many of Aidcom's blue-chip list of 300 business clients take up the idea.

**Peanut vendor**

There is nothing like combining a little business with your pleasure.

For some days, the semi-official Cairo newspaper Al-Ahram has been carrying an advertisement for the sale of the presidential aircraft BAC One-Eleven 400, customised to meet the needs of President Jimmy Carter and his staff during his historic Middle East tour.

That is not, you understand, the "historic" presidential shuttle four years ago between Cairo and Tel Aviv that eventually resulted in the Egyptian-Israeli peace treaty. Carter could hardly have used a British-built plane for that.

This "historic" tour is a visit to Egypt, Israel, Jordan and Syria by the ex-President which has been billed as purely private.

The aircraft belongs to Chris Hammer, the Hawaii businessman who designed the controversial Carter Library in Atlanta, and is accompanying Carter on the trip.

Asking price? \$4.5m but Waite Aviation of Denver, exclusive agents for the deal, say they will consider any reasonable offer.

**Treasury goals**

At a confidential location in Roehampton at the weekend, 22 economists from the Bank of England and the Treasury assembled for a major pre-Budget trial of strength on the football field.

According to a Treasury minute yesterday, the actual score was Treasury 5, Bank 6. But, seasonally adjusted, the Treasury says this was really Treasury 7, Bank 5.

My sports correspondent reports: "The only penalty of the match was awarded to the Treasury by referee and chief economic adviser Terry Burns; but to demonstrate his impartiality, he later disallowed one of the Treasury goals."

"The match started briskly with the Chancellor's men exerting steady but not excessive downward pressure" on the Bank side.

"But George Street goalie, Peter Patterson who, off-field, forecasts public borrowing, was soon beaten by a swerving winger, Team manager Steve Riddington. Riddington, a forecast, claimed Patterson was so used to under-shooting or over-shooting that he was taken completely by surprise by anything on target."

"From then on, the Thread-needle strikers, Eric Hunter (National Debt) and Kerry Patterson (economics) kept the Treasury defence under such pressure that at half-time it looked as if new manager Peter Middleton, on the touchline, might call on the reserves."

"On the other side, the Bank's goalie John Flemming (author of "Inflation") had little trouble keeping the tally down to single figures."

After the match, Riddington commented: "We achieved our planning total of five goals but conceded too much to the other side of the account. The one goal deficit, however, was well within the margin of error."

**Night shift**

You cannot get away from television these days—as 75 coal thieves in the Doncaster area have discovered to their cost in the past month.

While honest folk were sitting in front of their tellys, the National Coal Board disclosed yesterday, it has been touring plus with a TV "eye" that can see in the dark. It spotted the 75, none of whom worked for

the NCB, putting in unofficial night shifts at various collieries.

The "night eye" consists of a Land Rover with a telescopic mast, topped by a TV camera with an intensifier which gives a daylight picture at night.

The vehicle is also equipped with a radio-telephone link to the police, TV monitor and video as well as walkie-talkie radios for security patrolmen.

"Norton, NCB area chief security officer, says the vehicle is already paying for itself in curbing thefts. "Coal thieves no longer just pick coal from waste tips for their own use," he explains. "They are organised into gangs, stealing from stocks and selling direct to the public. The thefts represent a substantial loss to the NCB."

**Rings true**

The Inland Revenue sent me my 1983-84 tax code yesterday and, wishing to query a point, I decided to ring HM Inspector of Taxes (London Provincial) in Salford.

"Which town?" asked the lady at Directory Enquiries. "Salford. You must want the taxman—nobody seems to want to speak to anyone else in Salford."

**Quality control**

A wealthy industrialist was listening to a speech about himself at a banquet in his honour.

"His business acumen is unequalled," the speaker said. "His ability to lead is outstanding, his gifts to charity have made him a legend in his own lifetime, his vast knowledge of the arts marks him as a man of fine taste and erudition...."

The industrialist nudged the speaker's sleeve. "Don't forget my humility," he whispered.

Observer

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## Letters to the Editor

### Energy prices to industry in the U.K. and on the Continent

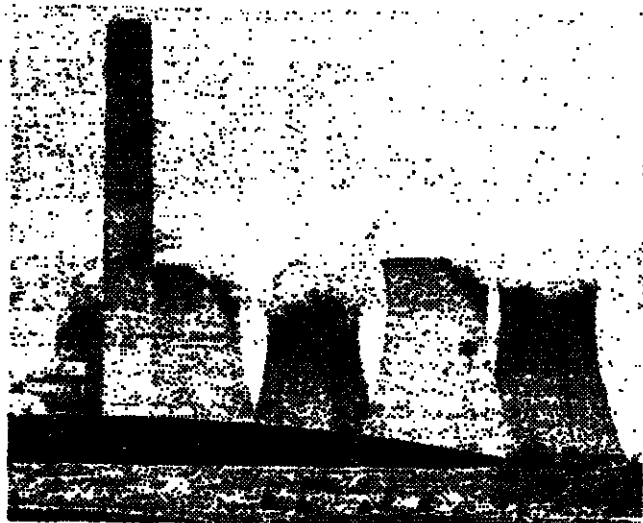
From the Director-General,  
Confederation of British  
Industry

Sir—You quote Mr Nigel Lawson, Energy Secretary (March 1) as referring to a CBI report and saying energy prices in the UK "in general compare well with those in the rest of the Community."

This is true as far as it goes. But it omits reference to a highly important sector of Britain's economy employing many thousands of people and which is in danger of facing further redundancies and decline if its particular energy problems are not treated more realistically—the so-called "high load and high load factor electricity users." These include parts of the steel, chemicals, paper, glass, man-made fibres, refractories and aluminium industries. They still face a significant price disadvantage against their Continental competitors, even taking account of the recent fall in sterling.

The data in the CBI report referred to, relates to published tariff information. Even on this basis, allowing for current exchange rates, French industrial electricity prices are lower than in the UK in respect of load characteristics. At high load factors, German, Belgian and Italian prices are also below UK levels.

Moreover, as the CBI stressed in a meeting with Mr Lawson and Mr Patrick Jenkin, Industry Secretary, on February 17, published tariffs are an incomplete picture where large users are concerned. Certain large and intensive energy users on the Continent are able to negotiate particularly advantageous terms.



Eggborough power station, Yorkshire

Terry Kirk

We agree with Mr Lawson that the problem should be considered "in the round." But this does not mean we should ignore specific problems where important sections of British industry are at a disadvantage. Present price differentials for these concerns represent a real threat to their viability and future investment plans.

(Sir) Terence Beckett,  
Centre Point,  
103, New Oxford Street, WC1

From the Chairman,  
Florida Group.

Sir—You report (March 4) that "Dutch industry's competitiveness is expected to receive

a strong boost following a new agreement between Gasunie, the Netherlands gas authority, and the Federation of Dutch Electricity Producers to lower electricity charges to major users." Such reductions are part of a general pattern of "market related" pricing on the Continent which is clearly designed to ensure that customers for large supplies of electricity remain competitive internationally, and continue to provide a desirable load for the supply industry.

The tariff price comparisons in the recent Confederation of British Industry report, which were agreed between the Chemical Industries Association

and the Electricity Council, allowed for the trend of exchange parities between October last and the present, but took no account of these recent concessions not only in the Netherlands, but also in Belgium and France. The comparison showed that, even so, high load factor customers with loads of 1Mw or more were still significantly disadvantaged. The Netherlands reduction you have reported is worth 25 per cent to a 3 Mw consumer and 12 per cent to one over 20 Mw. French reductions announced recently will provide large customers with power at a price "as close as possible to cost price." Belgian reductions for 1983 are worth around 10 per cent for customers on lower voltages and 7-10 per cent for high voltage customers.

The principal industrial countries of the EEC, with the exception of the UK, are now all offering competitive electricity tariffs to those industries which are large customers of electricity and, in general, offer that electricity in a way that encourages them to operate at high load factors. The UK stands aloof and continues to disadvantage its electrically-intensive industries and discourage new investments in them. It would be sad if, as a result of this industrial policy, the electrically intensive industries of the UK were to continue to wither away at home and re-establish themselves in continental Europe.

John Pitts,  
Tioxide Group,  
10, Stratton Street, W1.

### Child benefit and poor families

From the Director,  
Child Poverty Action Group

Sir—The report you have to child benefit in your pre-Budget advice (March 2) is most welcome but the suggestion that a more substantial increase would be possible if it were brought in to tax at the same time could be dangerous.

If child benefit were brought into tax, an increase of about £3 would be needed simply to retain its current value for a standard rate payer (assuming the official inflation forecast for November 1983). This would hardly be progress as the very minimum required in the forthcoming Budget is the restoration of child benefit to its April 1982 level.

There are certainly arguments in principle for taking a significantly higher child benefit as a means of concentrating more help on poorer families.

The problems that so long as tax thresholds are low and the standard rate of tax is paid over such a wide band of incomes,

many poor families would also be paying back part of their child benefit in tax. It could also drag even more families into the poverty trap.

It is also questionable whether it is feasible to tax child benefits so long as the joint taxation of husband and wife continues. If husbands had to pay extra tax on benefits received by their wives, this could lead to pressure from men either to keep down the real value of child benefit or to reintroduce child tax allowances, both of which would be regressive in effect.

The taxation of child benefit needs to be considered in the context of more fundamental reform of the tax system and a much higher level of benefit. To raise it as an isolated option for the forthcoming Budget could mean that you ended up hurting the very families that they were trying to help.

Ruth Lister,  
1, Macklin Street, WC2

### A fair crack of the whip

From Mr B. Essenhigh

Sir—A re-reading of the report on private health insurance proposals for civil servants (February 15) leads me to think that your correspondent, Mr F. Stark (February 25) is mistaken in his references to tax reliefs on subscriptions. What is in question is not tax relief but discounts which apparently are proposed at rates of up to 40 per cent in the case of civil servants. Perhaps it is not generally realised that there are many groups already in receipt of large discounts. I have in mind the Institute of Directors whose members can obtain a discount of 40 per cent on their subscriptions to one of the big health schemes. Members of Parliament are another group in receipt of very advantageous rates as are various contractors' associations, trade unions, etc.

The private health insurance sector is not in business for fun

and clearly if large discounts are offered in certain cases someone or other has got to pay for them. I would venture to suggest that the people who pick up the tab are the individual subscribers or those on low rates of discount (offered through such organisations as the RAC, Diners Club, etc.). The commercial principle of discounts on large orders is a very well but, in this instance as Mr Stark points out, it is those who can least afford the high individual subscriptions who are having to subsidise those in a much better position to do so.

Perhaps there is a strong case for scrapping discount arrangements altogether thus enabling every individual subscriber to enjoy a fair crack of the whip.

B. G. Essenhigh,  
Knap Farm,  
Ridge, Chalfont,  
Solihull, Wills.

### Academic research workers

From Dr A. Ovenson

Sir—I fail to see how recent cuts made by the University Grants Committee can have much effect on current poor productivity, since there is generally a gap of up to about 10 years between the grant of an idea and its fruition in industry. The long-term effects of such cuts in reputable engineering and science departments will of course be disastrous.

Not only is there a need for a greater allocation of funds to the less expensive, scientific fields such as materials science, but there is a great problem in attracting British students of suitable calibre to pursue worthwhile research projects in such less publicised areas. The brightest most creative students are no longer attracted to the intellectual glamour of a low-paid short-term research post as was the case some 20 years ago.

Shortage of job opportunities and much higher salaries attract such potential into "secure" industrial positions where their minds are largely used to stretch existing (and often redundant) technologies rather than concentrate on alternative and productive new processes. A better support for the academic research worker would involve paying commercial salaries which engaged in research as is the case in a number of European countries. This should not be on a restricted time scale and should allow direct entry and transfer of skills and knowledge to a productive sector of the economy.

(Dr) A. Ovenson,  
Department of Chemical  
Engineering,  
Teesside Polytechnic,  
Middlesbrough, Cleveland.

### Mines as producer co-operatives

From Mr D. Dale

Sir—If the Government wishes to go further with its programme of de-nationalisation, the next candidate should be the National Coal Board. This enterprise consists of individual mines which are very largely independent of one another and could be offered for sale separately or in small groups.

This would provide an excellent opportunity for a genuine experiment with producer co-operatives as a form of ownership, which has much to recommend it. The bigger and more productive pits would represent large financial units the purchase of which by the work force would call for special assistance in raising the money. The less attractive units could be offered as a gift, or even with a lump sum to help them off the ground.

Mr Scargill is so sure that all

the pits should be kept in production, that he could use his undoubted talents in helping his erstwhile members to run them at a profit—a really constructive role which should provide him with incomparably increased job satisfaction.

If this plan were implemented it would be necessary to ensure that a private monopoly was not created. Revitalised anti-monopoly legislation would therefore be necessary to prevent excessive re-nationalisations. This should cover all industries, not just coal and should include unions together with corporations, so that we should be rid of monopolies on both sides of industry "at a stroke."

D. H. Dale,  
"Birch Crest,"  
97, Hildersstone Road,  
Main Heath,  
Stoke-on-Trent

### An offshore island

From the Chairman,  
Isle of Wight Small Industries  
Committee, Council for Small  
Industries in Rural Areas

Sir—No one considering long-term investment in this island should be deterred by John Griffiths' article of February 22.

The island has a strong and pervasive entrepreneurial ethos and an indigenous workforce of quality and stability—often trained in modern skills by our two largest employers—with backing from the Development

Commission and sympathetic local authorities.

Despite the troubles of a general recession, and not least the handicap of severance by sea, for which we alone in Britain's major offshore islands receive no compensation, we have substantially held our own and in some important directions have gained industrial ground.

(Sir) John Nicholson,  
6-7 Town Lane,  
Newport, Isle of Wight.

### The tender method

From Mr K. Tunstall

Sir—May I add to Mr Burgoyne's observations (February 26) my view that tenders do not discriminate against the small investor in favour of the large financial institutions. A tender price, which is the maximum an investor is prepared to pay, is not determined by the weight of money available. Valid tenders are ranked in descending order to arrive at the allot-

ment price. Thus a man tendering for 100 shares at, say, 155p will take precedence over the institution tendering for a million shares at 150p. The largest seller of securities (the Government) issued new gilts by tender and the continued use of this method surely proves its efficacy.

Keith Tunstall,  
39 Grove Street,  
Leamington Spa,  
Warwickshire.

### Pensions debate—policy on the private sector and mobility

From the Managing Director,  
Richards Longfrance

Sir—May I add to the pension scheme debate started by Eric Short's reports of February 21, 22 and 23, and question the general interpretation of Government thinking? Has it really said that "employees should make their own pension arrangements?" After all, Government policy on private sector pensions has only two main aims.

The first is to see that those in retirement have an adequate pension through some occupational scheme. The second is to enter for the mobility required by employment conditions for the last quarter of this century.

The Government (and the pension industry) knows too well that the final salary pension scheme produces an increasing number of losers and as Mr McLeish says (March 2) "only the stayer who serves

most of his working life with his last employer can aspire to the popular expectation of a pension equal to two thirds of final pay." Statistics show that this is a small and decreasing group of employees. This accords with Government statements that the majority will change jobs four or more times in their career.

If the final salary pension scheme only meets the aims of Government policy for a minority, it can remain for them. But what can be done for the majority? This surely is what the debate is about. It is not about freedom of choice. Experience tells us that given the option of money in the hand or a pension scheme, the latter is chosen. The scheme however good the tax advantages, too many of us from time to time will take and spend the money. Therefore, it would be surprising if such a vote face of a free for all is being contemplated.

What the Government must be searching for is a method to enable an employee to have a vested right in a pension fund and into which an agreed contribution is placed. When retirement is reached, these contributions must be sufficient to produce an adequate pension.

For employers who do not wish to give vested rights, the Government may accept the Occupational Pensions Board's recommendation, and consider that it is fair to require trustees of pension funds to link deferred rights to an index. The Government may well select as the index the yield on its own 20-year securities.

There was an outcry when it was originally suggested that employers, if they made membership of the company final salary scheme a condition of employment, would also have to index the deferred rights by

5 per cent, as it was thought to be too expensive. Many schemes, however, have always anticipated that this will be required and some already give it. But 5 per cent is never likely to maintain the purchasing power of the deferred benefit. If employers are obliged to give a real return on these deferred benefits or give a vested right, a few will choose the latter. If it is possible to contract out of the state schemes by providing a vested right and by prepayable level of contribution many more will follow this course and the two main aims of the Government policy will be fulfilled. The complications which arise can be resolved by an efficient pension industry after it has been given the political directive.

John Greener,  
Dominion House,  
37-45 Tooley Street, SE1.

### Land Rover's launch

# A new model for the world

By Kenneth Gooding, Motor Industry Correspondent



The Land Rover One Ten, launched today

THE LAND ROVER may not be the prettiest of British exports, but since its introduction 35 years ago it can hardly be beaten for consistency.

It was designed as a post-war stopgap until the Rover company could get back to producing cars, but it has turned out to be one of the most successful vehicles ever produced in Britain.

Land Rovers are to be found in the most unlikely places in nearly 150 countries, doing the most unlikely things. There is a Land Rover hovercraft which sprays crops, a Land Rover shunting engine and in Zambia there are even Land Rovers hard at work in the copper mines more than a mile below ground.

Sold sometimes at the rate of only 10 or 20 a year—more commonly a few hundred at a time—the Land Rover has won remarkable loyalty from armies and police forces, especially in the developing world. It is a classic example of a product with such a wide range of customers that even the collapse of a key market like Nigeria can be absorbed without too much difficulty.

The Solihull plant, which exports 80 per cent of production, has shed labour but has come through the recession without any short-time working. Even when sterling was at its peak, Land Rover was managing to win back some Far East customers, notably in Indonesia, under the noses of its Japanese rivals.

From today the Land Rover has something new to offer. The new model, the first major change since the vehicle was introduced, adds the comfort and manoeuvrability of the Range-Rover to the Land Rover's well-known qualities of ruggedness and reliability. With a more competitive exchange rate, and with capacity available to meet orders promptly (instead of the three-year waiting lists for which Land Rover was once notorious), there is every chance of winning a bigger share of the world market.

Land Rover's strength is that its reliability is unquestioned. Not that Land Rover is complacent about the competition from Japan. The Japanese have mopped up most of the growth in the private market for four-wheel-drive "workhorses" of the Land Rover type with products which generally offer

more driver and passenger comfort.

And it remains to be seen whether Land Rover's £200m investment programme, involving a virtual doubling of capacity, is money well-spent or whether the latest changes to the British vehicle go far enough.

The Japanese advance has been swift. Four years ago the Japanese had only 25 per cent of light four-wheel-drive vehicle output worldwide. By 1981 their share had rocketed to nearly 50 per cent.

However, the growth in Japanese share of the business is also the result of the collapse of the four-wheel-drive market in the U.S. In their heyday, about 1m all-wheel-drive vehicles a year were being sold in the States.

By 1981, American light four-wheel-drive output was down to 371,000, giving the U.S. 35 per cent of worldwide production totalling 1,061m. Output at American Motors Corporation (AMC), whose Jeep started the whole business, had dropped from around 270,000 a year to 144,000 in 1981.

But the Americans are fighting back. AMC, smallest of the U.S. groups, has found a big brother in the shape of Renault, the State-owned French company which in the past three years has pumped \$400m into AMC, taking a 46.6 per cent shareholding and a tight grip on the management.

While Renault has been developing cars suitable to

replace the ageing AMC range, the American company has been able to use its expertise to produce a lighter and much less thirsty Jeep which is "new from end to end" and due to be launched this spring.

The two major U.S. groups, General Motors and Ford, have also this year introduced new lighter and more economic models thus making things a little more difficult for the Japanese in the U.S.

Closer to home, Land Rover faces increasing competition from one Japanese company in particular. Nissan has bought control of Motor Iberica in Spain and plans to manufacture its Patrol four-wheel-drive vehicles at the Zona Franca plant. The first vehicles came off the production line on January 27 and between 4,000 and 5,000 will be produced this year with output set to rise ultimately to an annual 15,000.

Nissan produced 41,000 Patrols in Japan in 1981, almost exactly the same as Land Rover that year. The British company seems quite phlegmatic about the Nissan project because it believes the Spanish-built vehicles will not be the equal of Patrols made in Japan. But it will not make life any easier for Land Rover, Santana, Land Rover's 49 per cent-owned Spanish associate, which has been producing about 17,500 Land Rovers a year from kits sent from Britain. By agreement with BL, Santana is supplying export markets traditionally associated with Spain, such as North Africa.

Even the Japanese have been feeling the squeeze. Growth in Toyota's four-wheel-drive production slowed to only 1 per cent in the first 11 months of last year while Land Rover's was rising by 2 per cent.

Mr Richard Murray, Land Rover's marketing director, believes that the Japanese share of the four-wheel-drive market may now stabilise at about 50 per cent. But Land Rover has room to expand.

The Land Rover One Ten should attract more private customers than the old 109, which continues in production for those military fleets which still want it. For that reason the newcomer is being launched first into European markets.

And Land Rover has still to tap the potential in North America where, until now, it has not sold any of its products.

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## Montedison plans fibres swap deal with U.S. company

By Carla Rapoport in London

Monsanto, the U.S. chemical group, and Montedison, the Italian chemical company, intend to swap substantial synthetic fibre interest in Europe in order to stem heavy losses.

Under the proposed deal, Montedison, a subsidiary of Montedison, will acquire Monsanto's European acrylic fibre business.

This division includes an acrylic fibre plant in Coleraine, Northern Ireland, where 170 out of a total of 470 jobs are expected to be lost as a result of the swap.

Monsanto will assume Montedison's 50 per cent holding in Polyamide Intermediates, a joint venture in Teesside, north-east England, which produces the raw materials for making nylon.

The deal will result in a \$18m loss provision in Monsanto's 1982 accounts and reduce net income from \$370m to \$352m, on sales of \$6.3bn. This compares with \$445m net income in 1981.

Monsanto's European acrylic fibre business, with annual sales of around £200m (£135m), includes a plant in Lingem, West Germany, with more than 300 employees.

A significant change in this workforce is not expected, but there may be redundancies among the 200 people at the division's eight European marketing and sales offices.

Synthetic fibre producers in Europe have been badly hit by overcapacity and sluggish demand in the past few years.

Monsanto said that despite cost-cutting investments the Coleraine and West German plants continued to operate at a loss.

The acquisition of Monsanto's acrylic business is expected to improve Montedison's market position through economies of scale, increased marketing and technical support. The Italian group has production capacity in Spain and Italy.

Polyamide intermediates were set up in the early 1970s when European demand for nylon raw materials was strong.

By the time production began in 1979, demand had fallen off sharply, but Monsanto has been able to sell its proportion of the output in the U.S.

Monsanto, one of the world's largest producers of nylon fibres, said yesterday that full ownership of the company would allow "maximum flexibility to meet captive need for raw materials at our U.S. manufacturing plants, as well as supply customers in Europe."

## AT & T revises forecast

By Richard Lambert in New York

AMERICAN TELEPHONE and Telegraph expects its net income for the first quarter of 1983 to be lower than the restated figure of \$2.01bn for the same period of last year. After allowing for accounting changes and various non-recurring charges, however, the group's earnings appear to be running at broadly the same rate as in the first and final quarters of last year.

The current forecast comes in an registration statement filed by the company related to its plans to sell up to 17.6m new shares, an issue which would raise over \$1.1bn at current prices. According to the statement, the lower quarter-to-quarter comparison will reflect an accounting change in 1982, which increased first quarter net income by \$286.5m. Without that change, "expected net income for the first quarter of 1983 would be essentially unchanged from that for the first quarter of 1982," AT & T said.

The group changed its accounting treatment of certain deferred income taxes last year.

# FINANCIAL TIMES

Tuesday March 8 1983

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## Barclays down 13% after higher debt provisions

By ALAN FRIEDMAN, BANKING CORRESPONDENT, IN LONDON

BARCLAYS BANK, Britain's largest in terms of assets, yesterday announced more than doubled 1982 bad and doubtful debt provisions of £18.3m (against £140.1m) and a 12.7 per cent drop in pre-tax profits last year to £495m (£747m).

Around £200m of the bad debt provisions related to the group's international business and the bank said this included sovereign risk (country) loans.

The Barclays 1982 pre-tax profit would have been £61.1m lower had it not been for the addition of profits on the "realisation of investments."

This was mainly a result of profitable trading last year in government securities.

In the UK the domestic clearing bank made a profit of £313.4m, which is understood to include more than £40m of realised investments.

Had it not been for this addition the UK bank's profit would have been little higher than the £287.1m figure for 1981.

Likewise, the Barclays Bank International business in the UK,

which registered a £244m profit (£28.7m in 1981) includes a substantial profit on trading in UK government securities.

In the U.S. losses continued to be suffered in the second half-year, and totalled £35.1m for the year as a whole, against profits of £37.3m in 1981.

Despite the lower earnings and sharply increased bad debt provisions, the Barclays share price in London closed 25p higher last night at 495p. Other bank shares were marked higher in sympathy.

One factor which helped ensure a favourable stock market reaction was a 20 per cent increase in the total net dividend, to 22p. Mr Timothy Bevan, Barclays chairman, suggested yesterday that his bank had not felt constrained in its dividend policy by a speech last autumn given by Mr Peter Cooke, head of banking supervision at the Bank of England.

In the speech, Mr Cooke urged banks to "consider the appropriateness of the maximum possible retention of profit to reinforce the

capital resources of the bank, if necessary at the expense of excessively liberal distribution policies."

Mr Bevan pointed out yesterday that had Barclays not increased its final dividend for 1982 the saving would have been only around £8m.

The chairman sounded a warning not about the future: "It would be unwise to say that the worst has passed in the need for provisions as there are still a number of companies which require careful nursing and some of these will inevitably slip over the edge."

Mr Bevan also said the level of cross border exposure particularly in Latin America and Eastern Europe, had been a cause for concern.

He appeared to throw his weight behind proposals to establish "some kind of re-discounting facility" in order to prevent liquidity problems in the world banking system.

This reference was to schemes now being discussed to create a new supra-national sovereign debt "lifeboat."

See, this page

## Brazil to repay BIS loan without delay

By Peter Montegnon in Basel

BRAZIL has agreed to drop the request for repayment of its \$1.2bn loan from the Bank for International Settlements to be delayed after strong opposition from BIS member central banks.

The first \$400m repayment on the loan, negotiated last December, will now be made on March 15, and all other repayments will follow the prearranged schedule.

That emerged in Basel yesterday after the monthly meeting of central bank governors at the BIS. Brazil's request for a delay in repayment featured prominently in their discussions.

Senior Carlos Langoni, Brazil's central bank governor, revealed last month that he had asked for a delay of three months in repaying the first tranche of the BIS loan. In the event, a delay of two weeks until March 15 was agreed to allow time for further discussion.

It is understood that Brazil also wanted to delay other repayments on the loan, taking its final maturity through into the spring of 1984 from the end of this year.

But the BIS shareholder central banks were adamant that the repayment schedule should be respected as a matter of principle. The loan was granted as bridging finance ahead of drawings by Brazil on its \$600m loan programme from the IMF.

Brazil's failure to renegotiate the repayment schedule of its BIS loan undermines the strict rules that central banks are applying to such bridging operations. "We have no intention of getting involved in a bridge to nowhere," said one central bank governor yesterday.

Senior central bankers said they had not ruled out whether it had an alternative source of funds to the BIS, but they were working on the assumption that it now had sufficient money market lines from commercial banks to keep it going even after the March 15 repayment of \$400m to the BIS.

Behind these comments is the clear principle that the BIS and its member central banks are not willing to substitute for commercial banks in lending to countries with balance-of-payments problems.

Aid for Yugoslavia, Page 3

## Michelin demotes 3 restaurants

PARIS - The gastronomic axe has fallen on three of France's finest eating establishments.

The Michelin Guide - the supreme arbiter of what is good on the table - reduced the number of its three-star restaurants from 21 to 18.

The third star, symbol of "one of the best tables in France, worth a special trip," fell from Raymond Oliver's Le Grand Vefour and Claude Peyrot's Vivarais, both in Paris, and from Francois Bise's Au Petit Bateau in the Alpine village of Tignes, near Geneva.

The bad news was compounded by the fact that there were no promotions to the exalted three-star ranking in the 1983 Michelin guide, which will be on sale officially on March 16.

Le Grand Vefour, established in 1785 and reputed to be where Maximilien Robespierre plotted the French Revolution, has had three stars for 30 years.

It is the first time since 1978 that Michelin has pared a star from the top echelon of restaurants. The last time was when the famed Maxim's came tumbling down from the summit after 28 years.

There are 87 two-star restaurants in the 1983 guide, "an excellent table, worth a detour," up from 83 last year, and 530 (518) with one star, "a very good table in its category."

There was speculation within the UK industry that the UK and Nigeria might fix a similar rate to avoid a follow-my-leader collapse of prices.

Analysis suggested that the rate might be about \$30.50, which is in line with the price already recommended by BNOOC. Most North Sea traders are buying and selling at \$33.50 on the understanding that new lower rates will be back-dated to February 1.

Mr Nigel Lawson, UK Energy Secretary, has in the past week had informal meetings with some Opec ministers as well as Mr Peter Walters, British Petroleum chairman.

## British manufacturers' fuel and material costs fall in February

By MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

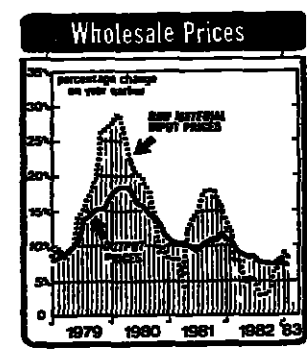
BRITISH industry paid less for fuel and materials in February than in the previous month, brightening the outlook for inflation in the UK.

Official figures, published yesterday by the Department of Industry, also showed that the rate of increase of manufacturers' prices fell to 7.1 per cent in the year to February, the lowest for nearly 10 years.

The fall in input prices was estimated to be 0.7 per cent between January and February, almost entirely because of the proposed fall in the price of North Sea oil which is backdated to February 1.

The figures are subject to revision, but support the Conservative Government's belief that the UK inflation rate will continue to fall from the year-on-year rate of 4.9 per cent recorded in January.

Some commentators were pessimistic that the 11 per cent fall in the



value of sterling since November would add to the inflation rate, but the Treasury has maintained that the effect on prices is likely to be less than might have been expected from past experience.

Yesterday's figures showed that the cost of British manufacturing

industry's materials and fuel rose by 8 per cent in the 12 months to February, compared with a rise of 9.3 per cent in the 12 months to January.

The annual rate of increase in prices other than crude oil rose from 7 per cent in January to 7.4 per cent in February.

The rate of increase of output (wholesale) prices for goods other than petroleum products fell from 6 per cent in January to 5.7 per cent in February.

Separate figures, also issued yesterday by the Department of Trade, showed that the total of new credit advanced by finance houses in January was £872m (£1.31bn), about the same as the advances in the last two months of 1982. However, total advances in the three months to January were 5 per cent higher than in the previous three months.

## Drug recall may cost Johnson \$20m

By OUR NEW YORK CORRESPONDENT

JOHNSON & JOHNSON, the leading U.S. pharmaceutical group, expects that product returns and expenses resulting from the decision temporarily to withdraw worldwide distribution of its prescription drug, Zomax, will reduce after-tax earnings by about \$20m this year.

This is the second heavy blow to the group's earnings arising from a large-scale product recall in the space of just over five months.

In October, Johnson & Johnson recalled its big-selling Tylenol capsules from the U.S. market, after seven residents in the Chicago area died after taking capsules that had been laced with cyanide. At the time, Johnson & Johnson said the probable cost of the recall would be around \$100m.

Zomax is a less important prod-

uct, although it has still been an important revenue earner with worldwide sales in 1982 of \$82m. The group said yesterday that as well as the direct cost of the recall, the loss of sales revenue on the product would have an additional adverse impact on this year's earnings.

Johnson & Johnson earned widespread praise for its prompt reaction to the Tylenol tragedy. The capsules were tampered with outside the group's manufacturing facilities, and with the help of an aggressive marketing programme the group has already gone a long way towards re-establishing the product's leading market position.

The Zomax case is quite different, in that the product has been linked with serious and in some cases fatal side effects. The group's sales in 1982 amounted to \$5.8bn, and its net income after tax came to \$523.4m, before an extraordinary charge of \$50m after tax stemming from the Tylenol withdrawal.

Johnson & Johnson's shares had been performing strongly in recent weeks, but this second blow to earnings has sent them sharply lower in the past few days. Last night they closed 3 1/4 down at \$46 1/4.

Carla Rapoport writes from London: Ortho-Cilag, a Johnson & Johnson subsidiary in the UK, yesterday said it had agreed with the UK Department of Health and Social Services to withdraw Zomax from the British market. British sales are believed to be worth about £2m (\$3m).

## Sony freezes staffing on poor sales outlook

By CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SONY CORPORATION has decided to freeze employment levels in its sales and administration divisions, which account for two thirds of the manpower at its Tokyo headquarters.

The freeze, to be accompanied by a review of spending in all indirect divisions at headquarters, is Sony's response to the increasingly gloomy outlook for sales of consumer electronics products in Japan.

Sony's Tokyo headquarters employs about 3,000 of the company's 14,000 workers in Japan. About 2,000 head office workers are employed on jobs not directly related to production and development. Their numbers will be held at pres-

ent levels for the foreseeable future, Sony said yesterday.

During the past three years, Sony has been increasing its "indirect" workforce at an annual rate of between 5 and 6 per cent, mainly through increases in its international sales force.

Apart from freezing indirect employment Sony says it will suspend the mid-career recruitment in which it has engaged in past years to increase its staff of internationally experienced executives.

Now the company will revert to the traditional Japanese practice of hiring new staff only direct from school or university.

## Argentina halts swap payments

ARGENTINA has suspended indefinitely the payment of swaps pending the issue of new regulations on how these short-term private sector external loans are to be handled, the central bank announced last night.

The bank said these regulations would be issued soon, and sources said they would probably be circulated before the end of this month.

Two weeks ago the central bank said swaps formed about \$1.4bn of Argentina's external debt.

However, the sources said only part of this total fell due for repayment in the March-April period.

Last night's measure is only a stop-gap until the fresh regulations for handling swaps are drawn up, Agencies

## Iranian obstacle in Opec unity bid

Continued from Page 1

Nigeria's readiness to raise its price - slashed on February 19 - to \$30 per barrel. This is in line with the \$30.50 recommended by the British National Oil Corporation (BNOOC) for North Sea crude.

The shift in Nigeria's position emerged yesterday after Mr Maim Yahya Dikko, its oil minister, returned from a visit to Lagos at the weekend. President Shagari evidently has been under pressure from King Fahd of Saudi Arabia to compromise.

BNOOC hopes that it can get North Sea industry acceptance for UK reference price of about \$30.50 a barrel, assuming that Opec settles on a

rate no lower than \$28-\$29.50 for its Arabian light marker crude.

But BNOOC, the main North Sea oil trader, could still face a serious pricing challenge from some of its main refinery customers. Much will depend on the attitude of the Nigerians.

Some of BNOOC's main customers have said that Nigerian oil should be 75 cents to a dollar more expensive than North Sea crude. Nigerian crude is similar in character to UK oil but it is of a slightly better quality.

Nigerian representatives said last week that they would be willing to undercut the North Sea price in order to boost sales.

## THE LEX COLUMN The D-Mark leads the markets

West Germany looks to be in line to suffer the penalties of success yet again after the markets' unanimous vote of confidence in the returning Christian Democrat alliance yesterday. While the Commerzbank index of leading stocks shot up by another 22.6 points to finish at 844.90 - a rise of 4 per cent on a week ago - the French Government was struggling to prevent the franc from breaking through its European Monetary System limits, and the Belgian financial franc had fallen to a 6 per cent discount under the pressure of foreign selling.

The French authorities gained full marks from the foreign exchange community for the abrupt change of tactics that saw the thrust of defence switch from direct intervention to a squeeze on the Eurofranc market. The French currency was back in line against the D-Mark last night at FF 2.85. But these tactics are not made for endless repetition, and the main speculation now is centred on the timing and degree of the realignment - possibly up to 10 per cent.

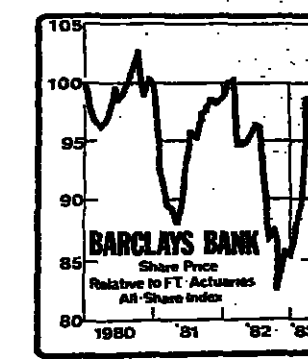
Some of the West German market euphoria has been generated by foreign buying, which may slow down as the currency play evaporates. A D-Mark revaluation in the EMS has usually carried it up against sterling as well, and the steady improvement in the current account argues for a stronger rate against the dollar. Even so, with the economy only coming to the end of a de-stocking phase, the outlook for profits is not spectacular this year, and the expected 1 per cent cut in the Lombard and discount rates would be desirable for domestic reasons, quite apart from helping EMS partners.

Barclays Bank of the UK has traditionally been one of the clearer most actively involved in the gilt-edged market. But last year's investment profits of £61.1m have been especially happily timed, helping to restrict the fall in the group's pre-tax profits from £568.6m to £495.2m.

The 1982 bad loans provision at £18.3m is 2.3 times bigger than last year's and includes a UK provision of £86.1m against £45.7m in 1981. Well over £100m appears to have been set aside for loans in the U.S., where the group has made no profits and a branch office in Chicago looks as though it might have been a bit too near some famous farm equipment manufacturers for comfort.

There was no stopping equities yesterday, and the All-Share shot over the previous all-time high scored on February 11. Healthy institutional cash flow has underpinned the advance, but the bull market continues to broaden; yesterday it was the turn of some of the depressed engineers to show their faces.

The 0.7 per cent drop in manufacturing industry's input prices between January and February was more than expected, given that sterling fell by about 2 per cent against the dollar in the same period. With some of the sting taken from the inflationary bogey of an oil price de-



Stripping out provisions and gilt-edged profits, pre-tax profits at the UK clearing bank show 14.7 per cent gain, however. This is slightly ahead of the equivalent figure for Lloyds and gives a clue to the strong performance of Barclays' shares yesterday.

Improved productivity has been one factor behind the UK gain, together with a 20 per cent increase in domestic advances to about £19.6bn. Pre-tax profits at Barclaycard have also risen from about £17.18m to £20m, and Barclays is clearly benefiting from its programme to boost commission income. These gains have more than countered the setback in profits at Mercantile Credit, carrying cost of a recently unprofitable £2m mortgages book and a marked increase in the average cost of funds.

Retained earnings, a revaluation of properties and the proceeds of its 1982 sterling loans have contributed in roughly equal measure to a £737m addition to the capital base. Barclays has increased its dividend by 20 per cent, as promised, for the shares to yield 6.5 per cent at their 495p closing price.

Allied Irish

The shares of the Irish clearing bank have shown no sign in recent months of the relative strength displayed by their UK counterparts. The levy on bank profits is, in Ireland's case, a permanent fixture, while the state of the economy offers little prospect of much pick-up in lending activity. With a strong run-up in its liquidity in the last couple of years, Allied Irish Bank, the biggest banking group in the Republic, has decided on acquisition as the means to expand. Yesterday it announced plans to buy a majority holding in the second largest bank in Maryland, First Maryland Bancorp.

Unlike the UK clearers, Allied Irish has picked a favourable point in the trade cycle to make its acquisition. In a complex staged deal it is paying roughly book value for First Maryland, of about 8 times after-tax earnings. First Maryland, furthermore, has had a reasonable profit record over the last five years, with compound growth of 5 per cent a year. The new shares Allied Irish has agreed to acquire for in excess of \$72m should stabilise the capital base; there will be some erosion for the Irish group's capital ratios when the U.S. bank becomes a subsidiary, but this is some years off and should be manageable. Meanwhile, Allied Irish should see no earnings dilution. With action in the sector dominated by Barclays yesterday, the shares were unchanged at 105p.

Markets

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## SECTION II - INTERNATIONAL COMPANIES

## FINANCIAL TIMES

Tuesday March 8 1983

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A Cowie Group / Forward Trust Joint Venture CompanyNovo lifts dividend as  
income soars by 39%

BY HILARY BARNES IN COPENHAGEN

NOVO, the Danish pharmaceuticals and enzymes manufacturer, proposed an increase in the dividend from Dkr 15 (\$1.7) to Dkr 17 per share and a scrip issue of new shares with a nominal value of between Dkr 20m and Dkr 45m. The exact figure will be determined later.

This follows another year of strong earnings from the company, which is the world's largest producer of industrial enzymes and the second largest producer of insulin.

Group earnings before extraordinary income increased by 39 per cent to Dkr 475m from Dkr 341m. Total net income was boosted by another Dkr 37m to Dkr 512m by extraordinary incomes resulting from the settlement of a patent infringement suit.

Earnings per share, before ex-

traordinary income, increased from Dkr 81.78 to Dkr 104.88, according to the group's preliminary financial statement.

Sales increased by 22 per cent from Dkr 2,250m to Dkr 2,710m, of which exports accounted for 98 per cent. Sales of pharmaceuticals increased by 25 per cent because of increased volume sales of insulin.

Novo began marketing human insulin in Europe last year. Enzyme sales increased by 10 per cent.

Investment in plant and equipment in 1982 totalled Dkr 495m compared with Dkr 303m in 1981, and is expected to reach Dkr 600m in the current year. Current investments include increased production capacity for human insulin and enzymes.

Novo reports new research progress last year, emphasising that in

both cases the breakthroughs are not related to insulin. "We are working in a broader field than is generally recognised," said Mr Kaare Dultum, Novo's finance director.

The company has succeeded, in co-operation with Danish universities, in cloning human gastrin, which is the major gastric acid secretory hormone, and it has used recombinant-DNA techniques for the production of an enzyme, so far unspecified.

The coming scrip issue will be offered at market price and managed by a U.S. banking consortium. The issue is expected to take place in the second half of April. Novo said it also plans to apply for registration in the U.S. of an additional 1.2m-1.5m American depository certificates.

Billerud  
boosts  
results  
fourfold

By David Brown in Stockholm

BILLERUD, the Swedish pulp, paper and packaging group, increased earnings more than fourfold from SKr 74m to SKr 328m (\$44m) on sales of SKr 3.9bn. Profit per share grew from SKr 3.25 to SKr 28.

Mr Bertil Persson, finance director, said that while the company had forecast improved earnings for 1982, the final results were "a surprise." The improvement is due to SKr 250m in higher sales by the forest products sector, aided by the 18 per cent devaluation of the Swedish Krona last October.

Net financial costs were up SKr 10m to SKr 22m at the close of a substantial investment programme in Sweden and abroad, requiring large loans. Mr Persson spoke of a "period of consolidation," and said that requirements should be much lower in coming years. These should contribute to a 30 per cent in 1983.

Extraordinary costs of SKr 22m brought the pre-tax profit figure to SKr 304m, compared with SKr 225m in 1981.

The board has recommended a bonus issue of one new share for every four old, and a stock split, yielding a total of 10 new shares to four old. The dividend on existing shares will rise from SKr 7 to SKr 8, and will be supplemented by a SKr 2 bonus for a total dividend of SKr 10 per share.

Cellulose, the group's Portuguese subsidiary, remained at the same profit level as 1981.

Fagersta and  
Sandvik form  
new company

By Our Stockholm Correspondent

FAGERSTA AND SANDVIK, the Swedish special steel groups, have announced the formation of a joint company, Fagersta Sandvik Tube, to produce a full range of welded stainless steel tubing.

Officials of both companies said the intention was to rationalise production, marketing and distribution of these products.

The new company, to be based in Fagersta, in Sweden, will be 75 per cent owned by Fagersta and 25 per cent by Sandvik.

The bulk of production will be at the Fagersta tube mill, one of the largest in Europe with an annual capacity of 15,000 tonnes.

The Sandvik tube mill in Lammhult, West Germany, with a capacity of about 5,000 tonnes, will be run as a wholly-owned subsidiary. Both plants are said to be operating at about 80 per cent capacity.

Mr Don Johansson of Fagersta Sandvik pointed out that the two production facilities have largely complementary production. About 80 per cent of Fagersta output in its 6-206 mm range is for sale abroad.

Officials say the largest single market by far is Western Europe, which is characterised by the variety of smaller producers, and where Fagersta estimates its market share at 10 per cent.

Lammhult's main market for its 100-900 mm tube is said to be West Germany. Together, officials predict a total turnover of SKr 275m (\$38m) for 1983.

Currently, both operations are believed to be no more than breaking even. Mr Johansson said that, while he did not expect any immediate improvement, the Fagersta Sandvik move represents an opportunity to strengthen the current position.

Sales advance  
for Schering

By Leslie Collett in Berlin

THE SCHERING pharmaceutical and chemical group, based in West Berlin, said sales last year rose 4.7 per cent to DM 3.5bn (\$1.4bn). Earnings were not disclosed, but were said to have been at the 1981 level of DM 100m. An unchanged dividend of 21 per cent will be paid and the company's contingency reserves will be increased.

Schering exports rose 8.5 per cent to DM 2.7bn and reached 78.4 per cent of total sales. The parent company, Schering AG, had sales of DM 1.8bn, up 5.2 per cent. Exports rose 8.9 per cent, while sales in West Germany were down 1.7 per cent to DM 587m.

Schering's pharmaceutical sales increased by 5 per cent and agrochemicals were up 8.2 per cent. Fine chemical sales rose 8.3 per cent, while industrial chemicals increased by 3.1 per cent and electroplating by 2.1 per cent.

The group's earnings in most countries were described as good, with the exception of Latin America

Rabobank records 7%  
full year earnings fall

BY OUR AMSTERDAM CORRESPONDENT

RABOBANK, the leading Dutch co-operative bank, recorded a 7 per cent fall in earnings last year, from Fl 528m (\$188.6m) in 1981 to Fl 489m. However, profits before tax and provisions rose by 3 per cent to Fl 1.33bn.

Rabo remains the most profitable Dutch bank. ABN, its nearest rival, came close in 1982 with gross profits of Fl 1.17bn and earnings up 5.1 per cent at Fl 358m. But Amsterdam-Rotterdam Bank, the recognised number three, slipped with net profits down 38 per cent at Fl 163m.

Rabo is in an expansionist mood; today it opens its new London branch. It sees itself as an international bank, albeit one with its roots firmly embedded in the soil of the Netherlands' agricultural co-operative movement.

Like all other Dutch banks it had to increase its debt provisions sharply last year - from Fl 473m in 1981 to Fl 580m. Yet the rise compares favourably with the 79 per

cent experienced at Amro and the 31 per cent at ABN.

Company bankruptcies, still at record levels, have been the key factor in the Dutch banks' results in recent years. Rabo is perhaps fortunate, because of its farming base in being insulated from the effects of the recession.

Rabo's balance sheet total rose by 1 per cent last year, to Fl 110bn - a slower rate of growth than in previous years and one brought about by the reduced level of investment activity.

Agricultural lending, a major Rabo activity, fell by 15 per cent last year, to just below Fl 3bn. New lending to industry, trading and service sectors dropped by 24 per cent, to Fl 2.2bn. Loans to consumers, at Fl 5.33bn, were down 5 per cent.

The total volume of entrusted funds went up by 3 per cent, to Fl 83bn and savings under this heading increased 5 per cent, only half the rate of 1980 and 1981.

Rabo said it had recorded a 7 per

cent growth in income from commissions despite the slow pace of economic activity. As a federation of co-operative banks, it has no shareholders and no dividends. Profits are distributed within the member banks.

Wessanen, the Dutch-based foodstuffs group, increased its earnings last year by nearly 12 per cent, to Fl 28m (\$10.5m), on sales 9 per cent up at Fl 3bn. The results are much as forecast.

Wessanen operates through more than 40 subsidiaries in the Netherlands and about 20 elsewhere in Europe and in the U.S.

The group manufactures a wide range of foodstuffs, from vegetable oils, through confectionery to flour and compound animal feeds.

Sales and profits are especially sensitive to changes in the costs of processed raw materials. Most subsidiaries and affiliated companies performed well.

Eurobonds, Page 28

Abitibi  
Price  
profits  
decline

By Robert Gibbons in Montreal

THE RECESSION in North America affected Abitibi Price, the world's largest newsprint producer in 1982 but its performance remained better than that of most companies in the forest products industry.

Net operating profits were C\$80.9m (U.S.\$49.8m) against C\$117.5m, equal to C\$2.46 a share against C\$3.27 on sales of C\$1.63bn against C\$1.76bn.

Fourth quarter earnings on the same basis were \$10.8m compared with C\$22.3m, and sales declined to C\$415m against C\$433m.

The company is controlled by the Reichman family, of Olympia and York Developments, the major Toronto-based real estate group. Abitibi has a varied mix of forest products from mills located in Eastern Canada and the Southern U.S.

Amex Bank to  
change deposit  
taking status

By Alan Friedman in London

AMEX BANK, the wholly-owned subsidiary of American Express International Banking Corporation (AIEBC), is to surrender its UK deposit-taking authority, following a reorganisation in London and consultations with the Bank of England.

AIEBC will retain its licensed deposit-taking authority, however. The reorganisation plan includes transferring Amex Bank's syndication department and securities division to AIEBC. The export project and contractor finance business of Amex Bank will, meanwhile, be taken over by newly-formed subsidiaries of AIEBC.

Amex Bank's 1982 after-tax profits, after extraordinary items, were £2.5m (\$3.8m).

Vereins- und  
Westbank  
shows gains

By John Davies in Frankfurt

VEREINS- UND WESTBANK, the northern German regional bank, has reported some further gains but is maintaining an unchanged 18 per cent dividend.

The bank profited from a recovery in lending for home building and buoyant bond trading, although the recession affected commercial lending and earnings from import-export business.

Interest earnings of the bank rose 11.8 per cent to DM 315.7m (\$131m), while for the group, including subsidiaries, they were up 16.8 per cent to DM 359m.

Continuing a cautious policy of bolstering reserves, the bank reported net profit up a marginal 0.4 per cent at DM 28.47m.

Vereins- und Westbank, in which the Bayerische Vereinsbank has a 71 per cent stake, has 263 branches in Hamburg, Schleswig-Holstein and Lower Saxony.

The bank's assets grew last year by 5.8 per cent to DM 9.88bn, while the group's assets were up 8.1 per cent at DM 12.28bn.

UBS increases  
holding in Baer

BY JOHN WICKS IN ZURICH

UNION BANK of Switzerland has acquired a 7.4 per cent stake in Baer Holding, the family-controlled parent company of Bank Julius Baer, after the sale of what is said by the bank to have been a "considerably larger shareholding" by two members of the Baer family who are not active within the bank.

In Zurich yesterday, Herr Hans Baer, chairman of the holding company, said the family would still hold 51 per cent of the capital and 71.9 per cent of the voting rights in the holding company after the transaction. Apart from Union Bank of Switzerland, there are no large shareholders outside the family.

At the same time, the holding company is to make a convertible issue with a nominal value of SwFr 30m (\$14.6m), open for subscription between March 11 and March 18.

The 4 per cent bonds, of SwFr 6,000, SwFr 30,000 and SwFr 60,000 at face value, are convertible into Baer Holding bearer shares from July 1, and each SwFr 6,000 unit is

convertible into a share of SwFr 500 nominal value.


Assuming all bonds are converted - and none of them by family members or by Union Bank of Switzerland - the family would subsequently hold 69.5 per cent of the voting rights and 47.1 per cent of the share capital, while the Union Bank stake in the holding company capital would sink to 6.9 per cent.

Net profits of the bank rose by 9.3 per cent last year to a record level of SwFr 18.5m. The largest single contribution to income was net commission of SwFr 41.2m, up 15 per cent over 1981. Earnings from precious metal and foreign exchange trading improved by 28 per cent to SwFr 29.9m.

For the first time since the bank became a limited company in 1975, income from securities exceeded interest income, having risen by 71 per cent to SwFr 18.5m.

The board predicts payment for 1982 to the holding company of an unchanged 13 per cent dividend on increased capital of SwFr 87.3m.

These securities having been placed privately outside Canada and the United States of America, this announcement appears as a matter of record only.



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February 15, 1983

*We have pleasure in announcing the establishment of our representative office in London, headed by Mr. H.G. Gents.*

**Rabobank Nederland,**  
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## SCHLUMBERGER LIMITED

The following is the Statement of the Chairman and Chief Executive Officer, MR. J. RIBOUD, which has been circulated to Shareholders with the Annual Report for 1982.

Net income for the year 1982 was \$1.35 billion, up 6% over the previous year. Revenue of \$6.28 billion was 5% higher. Altogether, a reasonable performance in the economic environment of what is certainly the worst recession since the war. The trend is more disturbing than the actual results. The growth of the first quarter (net income increased 31%) was due mainly to the strong oilfield activity outside North America. Then, quarter by quarter, a definite softness moved in. For the fourth quarter, net income was 13% below the last quarter of 1981 and revenue was 7% lower.

Revenue from oilfield services worldwide was up 7%, a considerable slowdown compared to the rate of growth experienced since 1974. The decline, particularly in the United States, was more brutal and deeper than had been expected. The drop of North American drilling was spectacular. From a high of 4,700 active drilling rigs in January, the count declined steadily to a low of 2,550 in October, climbing back to 3,130 at the end of December. The recovery was quickly curtailed by the seasonal slowdown. The last quarter, the count declined down to 2,450 rigs. Revenue from oilfield services outside North America was up 18%. However, soft spots showed up in South America in the second quarter, followed by Africa and Europe in the third and fourth quarters. Overcapacity in oilfield services operations has brought and will continue to bring pressure on prices during 1983. Daily rates for drilling rigs on land and offshore are down markedly compared to a year ago.

The recession in the United States has also affected the results of all units outside the oil industry: Semiconductors, Measurement & Control, Computer Aided Systems. The worst hit was Fairchild: revenue declined 6% for the year, as the slight recovery in orders in the first quarter did not last; losses in 1982 were substantially greater than in the prior year.

Although less severe than in the United States, the recession did not spare Europe. The situation was further impaired by the wide fluctuation of currencies, basically a unilateral appreciation of the dollar vis-à-vis the European currencies and the yen. Expressed in national currencies, revenue of Measurement & Control operations in Europe improved 13% but declined 4% when translated into dollars.

How did we react to this situation?

● We undertook a major cost reduction program to cut waste (the unavoidable left-over of a period of boom and inflation), to control inventories and receivables, to reduce manpower.

● We maintained our R&D effort, unabated. R&D expenditures increased 36% to \$326 million. At Fairchild, R&D reached \$105 million, up 41%. This program weighed heavily on Fairchild results, but is preparing the future with new products.

● We invested in fixed assets at the same level as the previous year, at \$1.1 billion dollars. At Fairchild alone, fixed asset additions were \$188 million to improve manufacturing efficiency and product quality.

● We invested in the future by new acquisitions in the Computer Aided Systems field. Early in January, Applique became a part of Schlumberger. In October, Schlumberger acquired Benson, a manufacturer of computer-aided drafting systems. The same month, Fairchild acquired Accutest, a small test equipment manufacturer. The latter Trade Commission announced on February 1, an Administrative Complaint seeking divestiture. This means that, unless the matter can be settled promptly with the FTC, Schlumberger cannot integrate Accutest with its own operations and Accutest is not viable as a separate entity.

The long term future of Schlumberger is not too difficult to visualize. We are in the right businesses. There is no limit to one's imagination for the future of high technology, whether it is to solve the problems of exploration, to modernize electricity distribution systems, to provide the computer and telecommunications industry with faster, smaller, cheaper components and circuits, to revolutionize the insuperable ways to design or to manufacture. We have the resources to meet these challenges.

What is more difficult to analyze is the immediate future, the years 1983 and 1984. Will the price of crude oil tumble on the world market? Will OPEC disintegrate? Will the coming spring see an economic recovery in the United States? Will this recovery be sustained long enough so that it becomes the locomotive of a worldwide recovery? Predictions are difficult and dangerous. The only thing I am sure of is that these two parameters—oil price and economic recovery—are closely related. The main factor responsible for the present oil surplus is the stagnation of the world economy. A limited and orderly reduction in the price of oil to the \$25 to \$30 level will have a minimal effect, if any, on the exploration and production programs of the oil operators whether national companies or private companies. It will increase the demand for hydrocarbons. If such a reduction in the price were to be concomitant with a stabilization of the dollar at a reasonable level, these two combined factors could be a major contribution to the economic recovery, first in the United States followed gradually by the rest of the world. I believe that all countries will be reasonable enough to prevent the pessimistic scenario of a lengthy price war in the wake of the collapse of OPEC.

Will reason suffice to ensure a long-lasting recovery of the world economy? I do not think so. The industrial nations will need plenty of reason and wisdom but also bold imagination. As long as the three main economic issues of the world are not faced in earnest and dealt with, the world economy at best will remain stagnant. The first problem is to recreate an international monetary system adapted to the present conditions of the world. The second urgency is for the industrial nations to take concerted and coordinated action to get industry moving forward on a consistent and durable pattern of growth. No country can do it alone. Finally, the industrial nations must devise and implement a plan—a sort of an international Marshall Plan—to prevent the financial collapse of the developing nations.

It is not easy to translate these hopes into the reality of Schlumberger's immediate future. The most likely Schlumberger environment for the next two years will be along the following directions:

● Drilling will stabilize in the United States at today's levels. The likelihood of a major decline or of a major surge is not in the cards. Offshore exploration will continue to grow, offsetting the decline on land, particularly for gas. As we maintain our R&D effort, as we keep on working on new tools and looking for new answers in the Wireline, in the completion and production technologies, in the Measurements-While-Drilling, we will improve the quality of our services and will grow faster than the drilling activity.

● Outside North America, the slowdown in oilfield operations will continue in South America and Africa; the Middle East activity is likely to be stable and some progress should materialize in the Far East, particularly in India and China.

● Fairchild will be on its way to recovery in 1983. Losses will be cut, revenues should start to increase by the middle of the year. New products, lower costs, better quality will start to show results this year.

● The Computer Aided Systems (CAS) group will be put in place this year. It will contribute to Schlumberger earnings in a significant way in 1983, but it will be on the map and will become an important factor in this new technology and this new business.

● The Measurement & Control group has fewer problems than Fairchild and the CAS group. If its ultimate potential for growth is more limited, it can better resist an economic slowdown. During 1983, its revenue and net income will improve over the previous year.

The overall conclusion of this brief analysis is for a slow start of the year, with the first two quarters results likely to be lower than last year, continuing the trend of the second half of 1982. An improvement is likely in the second half, particularly if an economic recovery in the United States materializes. Altogether, there are reasonable prospects that the year 1983 will not be very different from 1982.

### FIVE YEAR SUMMARY

	1982	1981	1980*	1979**	1978
SUMMARY OF OPERATIONS					
Revenue	\$4,054	\$3,788	\$2,814	\$2,077	\$1,636
Oilfield Services	1,971	1,995	2,070	1,513	963
Measurement, Control & Components	259	195	123	81	65
Interest and other income	—	—	100	—	—
Gain on sale of Rowan shares	—	—	—	—	—
	\$6,284	\$5,978	\$5,137	\$3,641	\$2,684
% Increase over prior year	5%	18%	41%	36%	22%
Costs of goods sold and services	\$3,479	\$3,244	\$2,813	\$2,061	\$1,499
Operating income	\$1,656	\$1,702	\$1,164	\$809	\$846
Oilfield Services	34	131	230	189	122
Measurement, Control & Components	(18)	(25)	(14)	(14)	(8)
Eliminations	\$1,672	\$1,808	\$1,400	\$984	\$784
% Increase over prior year	(8%)	29%	42%	29%	21%
Interest expense	\$117	\$105	\$102	\$52	\$15
Taxes on income	\$451	\$580	\$922	\$355	\$296
Net income	\$1,348	\$1,266	\$994	\$658	\$502
% Increase over prior year	6%	27%	51%	31%	25%
Per common share					
Net income	\$4.60	\$4.37	\$3.47	\$2.30	\$1.75
Cash dividends declared	\$0.92	\$0.77	\$0.63	\$0.48	\$0.37
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	21%	21%	19%	18%	19%
Return on average stockholders' equity	28%	34%	36%	31%	29%
Fixed asset additions	\$1,094	\$1,063	\$749	\$503	\$393
Depreciation expense	\$384	\$433	\$323	\$242	\$184
Average number of shares outstanding	293	259	286	286	296
AT DECEMBER 31,					
Working capital	\$2,171	\$1,637	\$1,249	\$1,066	\$910
Total assets	\$7,846	\$6,525	\$5,242	\$4,350	\$2,930
Long-term debt	\$462	\$276	\$238	\$490	\$85
Stockholders' equity	\$5,226	\$4,235	\$3,218	\$2,400	\$1,900

\* Net income includes \$70 million after-tax gain (\$0.24 per share) on sale of Rowan shares.

\*\* Results of Fairchild were consolidated beginning July 1, 1979. If the accounts had been consolidated for the full year 1979, the Company's revenue would have been \$4 billion, with an immaterial effect on net income and net income per share.

Certain information relating to directors' share dealings and group companies, required by The Stock Exchange in London to be made available, may be inspected during the next three weeks during normal business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, from whom copies of the full Annual Report may be obtained.

## First-half downturn for Sime Darby

By Wong Sulong in Kuala Lumpur

SIME DARBY, Malaysia's largest company, has reported a 41 per cent drop in pre-tax profits to 61.2m ringgit (\$US26.9m) for the half year ended December 1982.

Although the fall is more severe than expected, Sime is maintaining its interim dividend of 4 cents a share. Net earnings were down by 39 per cent to 36.9m ringgit, while turnover fell by 30 per cent to 1.1bn ringgit.

All the group's main operations, plantations, heavy equipment, and trading, suffered sharp falls in earnings because of the depressed commodity prices and contracted sales.

Sime's Hong Kong operations were the worst hit, with profits declining by 60 per cent to 6.5m ringgit, and Tan Siew Sila, the company chairman, ruled out any real improvement without a return of economic and political confidence.

Sime boosted net profits attributable to shareholders to 94.8m ringgit against 36m ringgit through net extraordinary gains of 63.7m ringgit. The main item was the sale of 901 hectares of a rubber estate outside Kuala Lumpur for 85m ringgit by Sime's listed subsidiary, Consolidated Plantations, to the Heavy Industries Corporation of Malaysia.

In terms of its operations the only bright spot for Sime was its tyre plant in the Philippines, purchased from R. F. Goodrich of the U.S. two years ago. Due to a Philippines government crackdown on cheap imports the Sime plant had profits of 7.6m compared with 4.4m ringgit.

Following the termination of its less-making insurance business in the UK, and a re-organisation, things are looking better for the Western division, although it still incurred a 1m ringgit loss.

Tan Tan warned that any world recovery would take time to reach Malaysia but there should be an improvement in profits in the second half. The group was hopeful that the final dividend of 6.8 cents would be maintained.

The interim dividend of Consolidated Plantations has however been reduced from 7 cents to 5 cents following a 10m ringgit fall to 15.6m ringgit in half-year net profits. The final profit figure rose to 96m ringgit compared with 26m ringgit, as a result of the extraordinary gain from the rubber land sale.

## Southern Sun to build Atlantic City casino

BY BERNARD SIMON IN JOHANNESBURG

SOUTHERN SUN, the South African hotel chain which is 69 per cent owned by South African Breweries, is planning to extend its interests into the U.S. through a \$250m casino and hotel complex in Atlantic City.

The South African group will subscribe \$50m for half of the equity of a newly-formed company, Sun Resorts. The other half of Sun Resorts' capital will be put up by a consortium led by American Leisure.

American Leisure, which is traded in the "over the counter market" in New York, owns an 8.2 acre site in the Marina section of Atlantic City as well as the casino licences and permits for the property.

Sun Resorts' remaining capital of \$74m will fund the construction of the planned 1,000-room hotel complex. A further \$150m needed for the complex will be raised by Sun

Resorts by means of mortgages and loans through North American banks.

Southern Sun is to finance its \$50m equity participation in Sun Resorts by drawing down existing borrowing facilities arranged outside South Africa. The project, which is expected to be Atlantic City's largest hotel complex, will take 30 months to complete and will be managed by Southern Sun.

● Sigma Motor, the troubled South African motor manufacturer in which Chrysler recently sold its 25 per cent shareholding, is to be refinanced by an injection of new equity.

Mr Chris Griffith, chairman, disclosed that Sigma lost R53m (\$50.3m) last year, probably the biggest annual loss ever suffered by a privately-owned South African company. He said a refinancing operation had been "the subject of unresolved discussions among the

shareholders for the past two years."

Sigma, which assembles Mazda, Mitsubishi and Peugeot vehicles, is now wholly owned by Anglo American Corporation and its industrial arm, Amic. Mr Griffith said Chrysler had been paid R18.5m for its share of equity, loan and trade debts.

According to Mr Griffith most of last year's loss came from unexpectedly high import costs and uncovered foreign loans. High interest charges and weaker demand for the company's products accounted for R18m of the loss. Sigma's share of the South African passenger car market has slipped from 20 per cent to 12 per cent in the past three years.

Six of the company's most senior executives have left in recent months and a new managing director has ordered a review of the company's operations.

## Meiji Seika drug investigation

BY YOKO SHIBATA IN TOKYO

MEIJI SEIKA, a leading Japanese confectioner and drug-maker, came under heavy selling pressure on the Tokyo stock exchange, following the Ministry of Health and Welfare announcement that it is to investigate the alleged falsification of clinical test data relating to the company's new digestive enzyme drug.

Yesterday the price of Meiji Seika shares fell ¥18 to ¥542, a 10 per cent drop from the previous day's closing price of ¥600.

The drug, called "Excelease," has been available on prescription since 1978. According to a ministry official "Excelease" was not technically a new drug, it was a "me-too" (imitation) drug, produced by combining ingredients already approved as safe and effective by the

ministry. A "me-too" drug requires only animal experiments to obtain the ministry's permission for production.

The ministry's announcement follows Press reports that data on tests on animals was manipulated at the Faculty of Pharmacology at Showa University in the presence of Meiji Seika's researchers in 1978.

On Friday the company's shares were suspended following fears that yet another pharmaceutical scandal was about to break. However, after a denial of the falsification rumours by Meiji Seika, trading was resumed on Saturday.

Last December another Japanese drug company, Nippon Chemphar, was ordered to suspend business operations for 90 days by the Ministry of Health and Welfare, as an administrative punishment for its fabrication of clinical data on new drugs.

As a result, Nippon Chemphar now expects a full year pre-tax loss of ¥1bn, against profits of ¥4.7bn in the previous year.

A Japanese banking syndicate has agreed to an immediate request to defer until end-1984 repayment of ¥10.5bn lent for the Asahan aluminium project in Sumatra, according to the Export-Import Bank of Japan.

The syndicate lent a total of ¥210bn in seven annual instalments from 1976 for the plant, due for completion in October 1984, which will produce 225,000 tonnes a year of smelted aluminium.

The syndicate has deferred repayment of ¥1.5bn due by end-1982 and of ¥8bn, maturing end-1983, until end-1984. Interest payments are being made normally.

## Tokyo banks accept bond terms

A syndicate of 33 Japanese banks and securities houses has accepted in principle a Finance Ministry proposal to issue ¥1,000bn (\$47bn) of 10-year bonds at 9.5 per cent.

Last month the ministry cancelled a planned issue of ¥300bn of 10-year bonds at 7 per cent, saying it was too high.

Other terms are unchanged from previous issues in January, when the ministry issued ¥700bn of 10-year 7.5 per cent bonds at 9.5 per cent to yield 7.76 per cent.

Last month the ministry cancelled a planned issue of ¥300bn of 10-year bonds at 7 per cent, saying it was too high.

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## Boral ahead despite cost of BMI takeover

By Lillian Drummond in Sydney

BORAL, the Australian building products group recently enlarged by the acquisition of its competitor BMI, has reported a 10.5 per cent improvement in net earnings for the half year to December 31.

Net profits were A\$27.4m (\$US26.6m) compared with A\$24.8m previously. The contribution from two months' ownership of BMI was A\$820,000 after all charges, leaving the Boral operations with a gain in profits in line with its 8.4 per cent increase in turnover to A\$394m. Including its share of BMI's turnover the total was A\$481.7m.

The effects of higher interest rates and a fall in the dollar are shown in interest charges: ahead from A\$8.55m to A\$15.73m. Before debt charges, a depreciation provision of A\$14.7m and that of A\$10.4m total income was significantly ahead from A\$65.2m to A\$80.8m.

The company said results were adversely affected by a drop in home building.

The company is paying an unchanged 7.5 cents a share dividend on earnings per share down from 15.7 cents to 11.3 cents on capital increased by shares issued in the BMI takeover and a one-for-five scrip issue.

● IFUMES, the concrete pipes and steel reinforcing group pushed up net profits by 36 per cent to A\$9.62m (\$US9.3m) for the half year to December, although comparisons were distorted by the sale of its Malaysian operations and the acquisition of ARC Industries in the intervening period.

However, after stripping out an A\$5.7m profit from ARC down by 36 per cent, it appears that the "slack" economy and drought have hit IFUMES hard in its traditional operations.

Overall sales were A\$250m against A\$154m, although the total is distorted by the change in company structure. The dividend is unchanged at 4 cents a share.

## Elders EXL to raise U.S.\$100m

THE DIVERSIFIED Australian company Elders EXL, raising \$100m through a five-year revolving Eurocredit, providing for head manager, Swiss banker, to manage the bank's operations.

Raised from about 10 to 12 banks, the loan will pay interest at 1 per cent above London interbank offered rates for Euro-dollar, with a commitment fee of 1 per cent on unused funds.

All of these securities have been sold. This announcement appears as a matter of record only.

## DIASONICS

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CAZENOVE INC.

ROBERT FLEMING

KLEINWORT, BENSON

ULTRAFIN INTERNATIONAL CORPORATION

WOOD GUNDY INCORPORATED

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WOOD GUNDY INCORPORATED

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BANQUE de PARIS et des PAYS-BAS (SUISSE) S.A.

BANQUE de PARIS et des PAYS-BAS

BANQUE NATIONALE de PARIS

BANQUE NATIONALE de PARIS

BANQUE PRIVEE S.A.

BUCKMASTER & MOORE

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# How The Morgan Bank shapes successful syndications around the world



Five of Morgan's London-based syndications specialists are, from left, Robert Gray, who heads the group, Janet Mitchell, Miriam Runey, Victor Brunello, Benjamin Weston.

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There's the Morgan banker, who specialises in wholesale banking. There's our internationally respected team of syndications specialists. And there's Morgan's major presence in international money and capital markets. Last year The Morgan Bank was alone in ranking among the top 10 lead managers worldwide in both Euro-bond and syndicated loan transactions.

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Morgan syndications specialists are headquartered in London, New York, and Hong Kong. Acting with speed and discretion, they help clients around the world meet a wide range of credit requirements. These include short-term capital loans to finance trade, medium-term revolving credits for corporations or for countries with development needs, and longer-term financing for projects which generate funds for repayment.

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## INTL. COMPANIES &amp; FINANCE

Discontent over Ministry of Finance guidance

## Japanese banks take new look at loans to sovereign borrowers

JAPANESE BANKS face a hard task in coming months in providing financing to sovereign borrowers such as Mexico, Brazil and the Argentine engaged in debt rescheduling negotiations—and the Japanese financial authorities find themselves on the horns of a dilemma as they exert pressure on the banks to play their parts in the international rescue moves.

The banks require to find some \$4.5bn for this purpose, at a time when the Japanese authorities are committed to increasing their surveillance of Japanese banks' overseas lending, to protect them from bad debt exposure.

There is anxiety and discontent among Japanese commercial banks at being pressed to run their credit lines to heavily debt-burdened nations on rails set by the Ministry of Finance.

The Ministry has also disappointed the banks by refusing to allow them tax-relief on provisions they are to make in their reserves against possible loan losses overseas, respecting some 20 sovereign borrowers.

It was announced by the Ministry last week that the banks are to be allowed to make such provisions as to 1 per cent to 5 per cent of their sovereign loans to specific countries out of after-tax profits.

Japan's involvement in the international banking community's debt rescue operations may be illustrated as follows:

● In the case of Mexico's rescheduling of the \$20bn of its \$80bn debt which falls due for repayment this year, there are 25 Japanese banks involved, sharing a burden of \$2bn. In addition, Japanese banks are pledged to provide \$700m in a \$5bn commercial credit to Mexico, in proportion to their existing loan exposure to the country.

● In the case of Brazil, 25 Japanese banks, including the 13 so-called City banks, the nationally organized commercial banks, are pledged to provide \$727m of an international \$8.4bn package consisting of \$4.4bn in fresh loans and \$4bn to refinance loans falling due this year.

● Japanese banks are committed to participate in the rescheduling package for Argentina, which is expected to be approved this month. They will take part in \$200m of new credits to the country.

Outstanding overseas medium and long-term lending by Japanese banks, including that in yen, totalled \$50bn at the end of September, a figure taking second place only to the U.S. Of total overseas lendings, Japanese banks' loan exposure to the 20 or so countries recognised by the Japanese authori-

ties as financially troubled amounted to \$30bn, including \$10bn to Mexico and \$9bn to Brazil.

In the move to protect Japanese banks from overseas bad debt exposure, the Japanese financial authorities have proposed that Japanese banks should make specific loan loss reserves, bearing tax, against the 20 or so sovereign borrowers, at the rate of 1 per cent to 5 per cent of total loans outstanding to each country when they close their books for the financial year at the end of March.

The MOF's proposals were made in reply to a petition from

financially weaker City banks, to set the lower limit at 1 per cent.

For Japanese City banks, used to following similar policies in such matters as dividend payments and numbers of branches and cash dispensers, a vexing issue lies in widening discrepancies in internal reserves policy.

For example, eight city banks would be likely to put a full 5 per cent to loan loss reserves, while loan loss reserves of only 1 per cent are preferred by the lower ranking four City banks.

Without the current sovereign financial crisis, Japanese banks would report all-time record

dragged into the U.S. scheme? is another.

The international financial community has placed pressure on Japan to shoulder a proportion of responsibility matching the role played by them in overseas lending last year. Japanese banks emerged as the most active lenders in the Eurodollar credit market in the first half of last year, spurred by the liberalisation of their long-term lending to any type of foreign borrowers, including sovereign borrowers, last May.

The rapid overseas lending expansion caught not only the City banks but also Japanese regional banks and trust banks without enough overseas lending experience and adequate credit rating systems. Japanese banks were particularly willing to participate in syndicated loans. Where possible, they sought to be a lead manager, to allow fees to make up for narrowing interest rate margins.

They came, however, late into the Eurocredit market, when the Organisation of Petroleum Exporting Countries' supply of money had begun to dry up. Accordingly, their role in the Eurocredit market was the more vital a one. They became the last lender to risky sovereign borrowers, stepping into the gap left by U.S. and European banks having stopped such lending. The result was that no less than seven Japanese banks are represented in the list of the world's top 20 lead-managers in the Eurocredit market last year as measured by Caplan International Finance data.

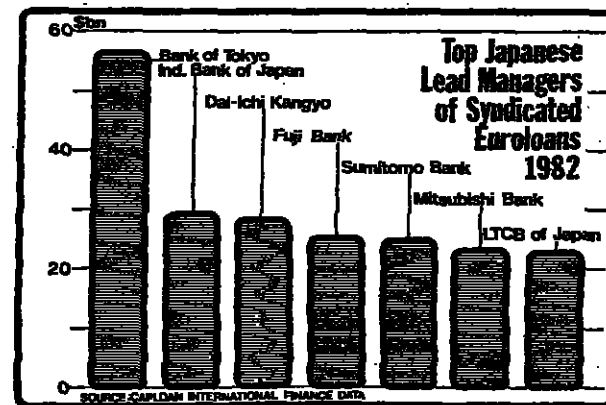
The Bank of Tokyo, the Japanese foreign exchange specialist bank, became the world's largest Eurocredit leader with as much as \$56.6bn involved, compared with \$9.8bn in 1980, followed by the Industrial Bank of Japan, placed ninth with \$2.5bn, Dai-ichi Kangyo Bank 11th with \$28.5bn, Fuji Bank 12th with \$25.5bn, and Sumitomo Bank 13th with \$23.3bn.

Lending to Mexico or Brazil with an interest spread obtained at the expense of risks "tasted as exquisitely as Fugu (blow fish)," says one City bank manager. The Japanese gourmet finds it most exquisite when the tongue and the palate are slightly numbed by the poisonous part of the Fugu.

After the explosion of the Mexican debt crisis, last August, the possibility of Japanese banks' withdrawal from the Eurocredit market has become a matter of unfavourable criticism in the international financial community.

Mr Shintaro Abe, the Japanese Foreign Minister, however, stresses the point that the Government will press Japanese banks to co-operate with Latin America's debt troubled countries.

Yoko Shibata



earnings in the current year. Sumitomo Bank regards the current liquidity crisis as transitional, and therefore to be covered by the bank's internal reserves, without affect on profits. The bank is strongly enough pledged to meet strong earnings, up to the target set for the year, even after making \$20bn of loan loss provisions. Some bankers, however, fear a major shakeout of weaker banks resulting from the loan loss provisions.

Against the background of the international money market problems, the MOF has decided on flexible exercise of the guidelines on Japanese banks' overseas lending, allowing the banks to extend credit lines to Mexico and other financially-troubled countries beyond the ordinary ceiling of 20 per cent of individual net bank worth.

The Japanese banks voice their concern at keeping their credit lines open to heavily debt-burdened nations under MOF guidance.

● Why do we have to put out our money into rescue operations, for the sake of international co-operation, while allowing the U.S. regional banks to drop out of rescue finance, is one question they ask.

● "Saving Latin American countries from going into default has political and strategic importance for the U.S., but why have Japanese banks to be

This announcement appears as a matter of record only.

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All of these securities having been sold, this announcement appears as a matter of record only.

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March, 1983

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## A FINANCIAL TIMES SURVEY

## SAUDI ARABIA

APRIL 25 1983

The Financial Times is proposing to publish a survey on Saudi Arabia in its issue of April 25 1983. The provisional editorial synopsis is set below.

**INTRODUCTION:** The Kingdom's role during the last twelve months as the most prominent power in the Arab World; its participation in the Arab peace plan at Fex and its leadership of the increasingly important Gulf Co-operation Council; Saudi policies in OPEC as pressures increase for a reduction in the price of oil. Relations with the United States; attitudes within the Kingdom towards the close links between Riyadh and Washington. The first nine months of King Fahd's rule; internal strengths and weaknesses of the regime; pressures for and against reform. Prospects for the institution of a consultative assembly, a formal ordinance of Government and new regulations for the administration of the provinces.

Editorial coverage will also include:

Profiles of Members of the Royal Family  
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The size, contents and publication dates of all surveys in the Financial Times are subject to change at the discretion of the Editor



## CONTRACTS AND TENDERS

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 9020/AD/MEC

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

3 No. Trucks for mobile maintenance unit, suitable for all types of terrain, with complete equipping of the chassis with lubricating unit. Useful load 15 to 20 tonnes.

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 9020/AD/MEC Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 9020/AD/MEC—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 16 April 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 0458-1K/MF

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Wire Rope of varying diameters

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

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Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 0870/11/MEC

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Spare parts for M.A.N. engine

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 0870/11/MEC Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 0870/11/MEC—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 16 April 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 0323-1K/MF

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Spare parts for "lightnin" agitator (mixer)  
—Models 324 thru 339  
Spare parts for "lightnin" agitator  
—Models 82 thru 84 (Gear Drive)  
Spare parts for "lightnin" agitator  
—Models 81Q thru 89Q

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 0323-1K/MF Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 0323-1K/MF—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 2 April 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 9046-AA/MF

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Blow Out Preventer (B.O.P.) and Spare Parts

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 9046-AA/MF Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 9046-AA/MF—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 9096-AR/MEC

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

"Gin-Pool" Truck (Quantity 14) for all types of Terrain—Lifting Capacity 10 tonnes

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 9096-AR/MEC Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 9096-AR/MEC—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 16 April 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 008-ON/MEC

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Item No 1: Spare Parts for Renault 4 Vehicles  
Item No 2: Spare parts for Renault 12 (Vehicles)  
Item No 3: Spare parts for K70 VW 22-AS Vehicles

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 008-ON/MEC Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 008-ON/MEC—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 0121/OK/MEC

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

Item No 1: Air compressor 14 Bars  
Item No 2: WESTINGHOUSE compressor  
Item No 3: WISCONSIN compressor  
Item No 4: Spare parts for MERCEDES engines  
Item No 5: Spare parts for LOMBARDINI engines  
Item No 6: Spare parts for WORTHINGTON compressors  
Item No 7: Spare parts for WESTINGHOUSE compressors  
Item No 8: Spare parts for GORMAN-RUPP compressors

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 0121/OK/MEC Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 0121/OK/MEC—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 9049-AA/MF

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

MANIFOLDS

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 9049-AA/MF Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 9049-AA/MF—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

REPUBLIQUE ALGERIENNE  
DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTÈRE DE L'ÉNERGIE ET DES INDUSTRIES  
PETROCHIMIQUES  
(Ministry for Energy and Petrochemical Industries)ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES  
(National Company for the Exploitation of Oilwells\*)NOTICE OF INTERNATIONAL CALL FOR TENDERS  
NUMBER 9047-AA/MF

L'Entreprise Nationale des Travaux aux Puits is launching a National and International Call for Tenders for the supply of:

ACCUMULATOR UNITS

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No 78-02 dated 11 February 1978, relating to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the Specifications from the following address: Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitain Azzoug, Cote Rouge, Hussein-Dey, Algiers, Algeria, Département Approvisionnement et Transports (Supplies and Transport Department) with effect from the date on which this notice is published.

Tenders, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the Secretariat of the D.A.T. (Supplies and Transport Department) at the above address. The outer envelope should be completely anonymous, bearing no captions, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 9047-AA/MF Confidential—A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS Number 9047-AA/MF—Confidential—Do not open).

Tenders should be sent to arrive by Saturday 26 March 1983, at 1200 hours, at the very latest.

Selection will be made within 180 days with effect from the closing date of this Call for Tenders.

\* (Alt. rendering: mineshafts)

ONE OF THE WORLD'S LARGEST  
AUCTIONS!!!50 MILLION DOLLAR ACQUISITION COST OF  
SURPLUS MATERIALS, SUPPLIES &  
CONSTRUCTION EQUIPMENTBeginning April 4 and Continuing Daily  
10:00 A.M. to 6:00 P.M. (Each Day)Phipps Bend Nuclear Plant Site  
Surgoville (Kingsport), Tennessee

By order of the Tennessee Valley Authority, Miller & Miller Auctioneers, Inc. will sell at public auction unused materials, unused supplies and used construction equipment purchased for the construction of the Phipps Bend Nuclear Plant. Everything will positively sell to the highest bidder, no minimum or reservation. Auction to be conducted at the Phipps Bend Nuclear Plant Site located near Surgoville (Kingsport), Tennessee. The auction will be in an auditorium sit down fashion. Bidders are invited and urged to inspect the property to be sold before bidding as property will be sold AS IS. Materials, supplies and equipment may be inspected beginning March 21 through April 1 from 8:00 A.M. to 3:30 P.M. Monday through Friday. All prospective purchasers will be required to register and sign a hold/harmless agreement prior to entering sale site. Quantities shown below are approximate, should be verified by inspection.

PIPE: 392,491' of ductile, concrete, corrugated culvert, cast iron, carbon steel, coated, stainless steel, PVC, sewer, aluminum, galvanized & clay. Assorted sizes from 3/4" to 66" VALVES: (562) 1" to 120" motor & air operated butterfly, globe, gate, swing check and manual operated butterfly. PUMPS: (128) centrifugal, booster, vertical turbine, transfer, feed & vacuum; 200GPM to 125,000GPM, 3450HP to 5HP electric motors. FANS: (105) Zum clage fans, 500SCFM to 38,900SCFM. AIR HANDLING UNITS: (151) Governor; 26,000SCFM to 1500SCFM, vertical & horizontal, single zone. WATER CHILLERS: (8) Carrier 400-ton; (2) Trane 1500-ton; (4) Trane 180-ton; (2) Trane 2-stage absorption cold generators. AIR CONDITIONING UNITS: (94) Carrier. WELDERS: (239) 300-amp to 1500-amp; (5) Panjins automatic horizontal & vertical welders. SWITCHGEAR: (17) 480-volt switch gear & transformers; (7) 6900-volt switch gear & transformers; (13) 480-volt motor control centers. ELECTRICAL: 2,940,646' of copper cable; 1AWG to 20AWG, 600-volt; 12,771' cable tray; (7) Neutral grounding resistors: Assorted sizes of conductors. (4) G.E. 250KVA generators. TANKS: (11) 78,000-gallon to 15,000-gallon stainless steel, steel & aluminum tanks. AIR COMPRESSORS: Stationary compressor plant consisting of: (5) Ingersoll-Rand

SPA300VH 1,550CFM air compressors, each powered by 400HP electric motor, in 40'x130' metal building with (2) hoist & trolleys. (4) 5HP air compressors. OVERHEAD CRANES: (9) 250-ton to 1½-ton electric overhead traveling bridge cranes; (4) 5-ton to 1½-ton electric hoist. OTHER RELATED ITEMS: Envirovac vacuum sewage collection system; Cooling tower strainers: Assorted sizes of metal buildings; Blueprint machine & copier: Large amount of hand tools, pipe benders, pipe threaders, welding supplies, pipe fittings, scaffolding. CONSTRUCTION EQUIPMENT: C.S. Johnson 12-yard concrete batch plant; Appco 6-yard concrete batch plant; Concrete pumps; Dumpcrete trucks; Cement bulk trailers; Concrete forms; Crawler tractors; Scrapers; Loaders; Cranes; Hydraulic back-hoes & cranes; Tower cranes; End dumps; Compactors; Trenchers; Air compressors; Trucks & trailers.

APPROXIMATE TWO BILLION DOLLARS worth of materials and equipment similar to above, plus other items, associated with large construction projects are available for sale. For information contact TVA, INVESTMENT RECOVERY PROJECT at 615 632-7750.

Contact Auctioneers for Free Descriptive Brochure listing terms and property to be sold at auction.

**Miller & Miller**  
AUCTIONEERS, INC.

2525 Ridgmar Boulevard  
Fort Worth, Texas 76116  
817-732-4888 Telex: 75-8440  
TN. Lic. No. 413

Send to: Miller & Miller Auctioneers, Inc.  
2525 Ridgmar Boulevard  
Fort Worth, Texas 76116  
A/C 817 732-4888

Yes, I would like a descriptive brochure on TVA auction.  
please print

NAME \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

## COMPANY NOTICES

H. J. HENNE COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Book of the 3.15% (three and one-half percent) Redeemable Cumulative Preference Shares of this company will be closed from 1-28 April 1983, both dates inclusive.

J. A. ROSE,  
Company Secretary.

BANCO NACIONAL DE MEXICO, S.A.

FLOATING RATE

SUBORDINATED NOTES 1992

NOTICE IS HEREBY GIVEN, that pursuant to Condition 6 (b) of the Notes, U.S.\$5,000,000 principal amount has been purchased by Credit Suisse First Boston Ltd. as Purchaser Agent during the period ended February 7, 1983. With effect from that date, U.S.\$3,000,000 principal amount will remain outstanding.

THE CALS MANHATTAN BANK N.A.

Principal Paying Agent.

March, 1983.

## PUBLIC NOTICES

NOTIFICATION OF

BOROUGH OF BOURNEMOUTH

VARIABLE RATE STOCK

Issued 6th September 1979

The interest on the 6th September 1979

is now being paid at a rate of 10.75%

per annum. The interest on the 6th September 1983

is now being paid at a rate of 11.75%

per annum. The interest on the 6th September 1987

is now being paid at a rate of 12.75%

per annum. The interest on the 6th September 1991

is now being paid at a rate of 13.75%

per annum. The interest on the 6th September 1995

is now being paid at a rate of 14.75%

per annum. The interest on the 6th September 1999

is now being paid at a rate of 15.75%

per annum. The interest on the 6th September 2003

is now being paid at a rate of 16.75%

per annum. The interest on the 6th September 2007

is now being paid at a rate of 17.75%

per annum. The interest on the 6th September 2011

is now being paid at a rate of 18.75%

per annum. The interest on the 6th September 2015

is now being paid at a rate of 19.75%

per annum. The interest on the 6th September 2019

is now being paid at a rate of 20.75%

per annum. The interest on the 6th September 2023



## Higher bad debts charge leaves Barclays 13% down

## Jaeger opens

**ens Kilmar**

**See Lex**  
**Mock plant**

### By Our Financial Staff

The relaxation of hire purchase restrictions and the reduction in mortgage rates, had resulted in a more buoyant market for the group's products, Mr Jourdan said. The contraction in both the furniture and carpet industries is "now increasing demand on the manufacturing capacity which remains."

Kean and Scott is offering 13 or its 10p shares for every five ordinary in Alpine. If the share offer is fully taken up, it would value Alpine at 148.2p a share, or about £17m.

The move could make it one of the largest in the UK for the

years for both companies. Kean and Scott announced pre-tax losses every year between 1978 and 1982. But in the 12 months to December 1983, Sharps, its principal trading subsidiary, reports pre-tax profits of £814,000. The loss in the comparable period in 1981 was £11,000.

FUTURE DATES	
Interim:—	
Bluebird Confectionery	Mar 23
Bejam	Mar 17
Highland Disinfectants	Apr 11
Mucklow (A. & J.)	Mar 17
Pifco	Mar 25
Thorpe (F. W.)	Mar 17

Gill and Drifus	Apr 13
Higgs and Hill	Apr 13
London Atlantic Inv. Trust	May 19
MacIarone (Clansmen)	Mar 29
Metal Closures	Mar 26
Melins	Mar 28
Reinbre Mackintosh	Mar 18
Schroders	Mar 9
Sedgwick	Mar 10
Systems Designers International	Mar 15

**BY ANTHONY MORETON, TEXTILES CORRESPONDENT**

ification was taken before Mr

ing the new strategy productivity improvements in the company's factories in Alloa, Ipswich, Burgess Hill, Plymouth and an existing one in Kilmarnock.

to look further than our own shops."

**By Alan Friedman, Banking Correspondent**

Under the scheme, Boston's 25 "Moneyshops" will cash any bank cheque which is supplemented by a valid cheque guarantee card. In exchange, the customer agrees to provide his or her name and address so that Boston can add this to its mailing list.

Mr Graham Telford, a director of Boston Rust & Savings, said yesterday he believed the service "would be popular with the public" at a time when a number of banks are charging up to 50p per cheque.

BY ERIC SHORT

London, when the Official Receiver, Mr Geoffrey Gillvray, explained the current situation of the company.

A petition to wind up the company was presented by two directors, Mr Patrick Curran and Mr Donald Ames, in November 1982 after legal action taken against the company by the Gibraltar authorities and the Hongkong and Shanghai Bank, which was trustee for certain bonds issued by Signal Life. The winding-up order was made on December 13, 1982.

The creditors voted Mr Gerry Weiss, partner in the accountancy firm of Cork Gully, as liquidator. A three member committee of inspection was also appointed, including Mr John Potter, a bondholder.

[illegible]

**Chairman David Stevens reports:**

**Copies of the Report and Accounts for the Year Ended 31st December 1982 can be obtained from:**

**Net Asset Value per Ordinary Share rose from 223½p to 265¼p  
An increase of 18.7%**

A dividend for the year of 8.5p per Ordinary Share is proposed (1981 7.35p)  
An increase of 15.6%

**Copies of the Report and Accounts for the Year Ended 31st December 1982 can be obtained from:**

**Montagu Investment Management Limited**  
117 Old Broad Street, London EC2N 1AL. Telephone: 01-588 1750  
Investment Division of Samuel Montagu & Co. Limited

■ **FELIXSTOWE TANK DEVELOPMENTS**  
*Bulk storers and transport*

Year to Oct 2	1982	1981
	£	£
Sales .....	1.60m	1.26m
Pre-tax profit .....	—	—
Tax payable .....	211,984	150,385
Attributable profit .....	428,278	423,151
Earnings per share .....	42.8p	43.3p
Dividend .....	14.5p	14.5p

■ **WILLIAMS HOLDINGS**  
*Founders*

Year to Dec 31	1982	1981
	£	£
Sales .....	5.61m	8.78m
Pre-tax profit .....	315,000*	900,000*
Tax .....	—	138,000
Attributable profit .....	1.32m*	861,000*
Earnings per share .....	9.37p*	23.22p*
Dividend .....	—	—
* Loss		

■ **JOSEPH ROYLE & SON**  
*Wool spinner and cloth*

Half-year to Sept 25	1982	1981
	£	£
Sales .....	1.96m	1.78m
Pre-tax profit .....	31,500*	43,513
Tax .....	750	750
Attributable profit .....	—	—
Earnings per share .....	4.25p*	5.13p
Dividend .....	—	—

The pro forma net asset value attributable to each new Capital Share to be issued under the proposed reconstruction, based on the company's balance sheet as at 1.3.83, was 55p per Share.

\_\_\_\_\_

**M. J. H. Nightingale & Co. Ltd.**

High Low		Company	Price Change	Gross Yield Div.(%)	P/E	Fully Adjusted
182	83					
142	130	Ass. Ent. Ind. Ord.	167	10.0	8.3	10.8
156	112	Ass. Bnt. Ind. CULS	141	10.0	6.4	
95	92	Average	35	11.3	7.4	12.7
36	34	Amstays & Rhodes	34	4.3	12.6	3.8
405	197	Barton Hill	305	16.3	3.7	12.8
192	177	CCL Inc.	133	11.4	11.3	16.1
270	240	Canidex Group	240	17.8	7.3	9.7
86	84	Danabara Services	84	6.0	11.1	3.8
134	124	Frank Horrell	84	11.4	10.6	4.3
83	79	Frank Horrell Pr Ord St	83	8.7	10.5	7.0
83	81	Frederick Parker	83	7.1	10.4	4.3
262	241	George Ball	241	11.4	10.6	12.7
100	74	Ind. Precision	80	7.3	9.1	10.3
192	180	Ials Con. Pref.	182	15.7	10.3	-
24	24	Jedcor	24	7.5	8.4	-
187	111	James Burrough	136	10.7	13.6	15.2
280	162	Robert Jenkins	162	20.0	12.3	18
244	234	Suttons	234	11.4	10.8	8.5
187	112	Torday & Carlisle	72	7.8	10.8	9.6
29	21	Umack Holdings	26	0.46	1.6	-
46	46	Weiler Alexander	46	8.4	8.7	4.7
262	214	W. S. Yates	262	17.1	12.8	4.1

Prices now available on Prestal page #4148.



# UK COMPANY NEWS

# MINING NEWS

# APPOINTMENTS

## Romai Tea edges ahead to £0.36m

Taxable profits of Romai Tea Holdings edged ahead from £244,400 to £258,000 for the year to June 30 1982 from turnover of £2.82m, compared with £2.45m in 1981. As predicted in the interim report the dividend for the year is being maintained at 22.5p from stated earnings per £1 share of 5p (41.96p). Tax was down from £174,000 to £159,000 and at the attributable level there was a surplus of £174,000 (£153,000). As indicated last October Williams & Co. Holdings, in which Romai Tea has a 42.21 per cent interest, returned lower profits for the year to June 30 1982. The profit figure emerged at £1.96m compared with £2.46m the previous year, but the dividend is held at 12.5p per £1 share.

Turnover was lower at £24.17m (£26.12m). Tax took £1.33m (£1.7m) leaving attributable profits at £237,514 (£222,022), or 23.89p (£23.13p) per share of 23.89p (£23.13p).

## TV South chairman optimistic

Independent television contractor Television South has two main tasks for the future: to consolidate and build on the work already being carried out and to prepare for the vast new opportunities ahead. Lord Boston of Faversham, chairman, tells shareholders in his annual statement.

As reported on February 1, the company made taxable profits of £1.09m in its 17 months of operations to October 1982, which included profits of £1.13m for the broadcast period from January to October 1982.

Current levels of advertising revenue remain satisfactory even though the company has been denied significant revenue on Channel 4, due to the dispute between the Institute of Practitioners in Advertising and the actors' union Equity.

Lord Boston says that in building on its existing work the company is dependent on a secure financial base and the maintenance by the regulatory authorities of a sound environment for programme making.

On the new opportunities that he ahead he says the industry is entering an age of expansion and great change. It is likely that the company will be operating in a more competitive environment but perhaps with greater freedom. TVS is well placed to meet the challenge of this era, he adds.

At the end of the accounting period shareholders' funds stood at £23.8m, and loan stock at £2m. Fixed assets were valued at £12.97m, current assets came to £23.8m and current liabilities to £19.74m. During the 17 months there was a decrease in working capital of £308,000 including a fall in bank balances of £43.8m.

## SEDGWICK BUYS REST OF SINGEL

BRITAIN'S largest independent insurance broker, Sedgwick Group, has exchanged contracts to acquire the outstanding 40 per cent minority interest in Singel Groep Schencker BV, one of the largest insurance and reinsurance agency groups in the Netherlands. No purchase price has been disclosed.

Sedgwick has owned a 45 per cent interest since the merger between OWA Schencker BV and Singelgroep BV and increased its interest to 60 per cent in July 1982.

## FT Share Information

The following securities have been added to the Share Information Service:

ASCA AB (Section: Electricals). Admiral Mines (Mines-Miscellaneous). Alva Investment Trust (Investment Trusts). Balmoral Resources (Mines-Australia). Bighorn Optical and Industrial (Industrials). Tops Estates (Property).

## GEORGE H. SCHOLES PLC

WYLEX WORKS, WYTHENSHAW, MANCHESTER M22 4RA

Manufacturers of Wylex Electrical Products

INTERIM REPORT

Unaudited results for the half year to 31st December, 1982

	1982	1981
Sales	6,000	6,000
Trading Profit	10,735	8,064
Interest on Short Term Deposits	2,080	1,241
Profit before Tax	85	31
Tax	2,165	1,272
Profit after Tax	1,036	523
Proposed Interim Dividend:		
Rate per Share	5p	6p
Amount	321	257
Profit retained	808	492
Earnings per share based on profit after tax and the present issued share capital	17.6p	11.7p

The unaudited results for the half year to 31st December, 1982 are shown above.

The Directors have today declared an Interim Dividend of 5p per share payable on the 11th May 1983 to Shareholders on the Register at 31st March, 1983.

G. R. C. McDowell, Chairman

7th March, 1983

LADDER INDEX

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## BIDS AND DEALS

## Marchwiel reduces stake in Westminster Property

Marchwiel, holding company for the Sir Alfred McAlpine building and civil engineering group, has sold 1.57m shares in Westminster Property Group, equivalent to 5.5 per cent of its equity.

The shares were not sold to Saint Piran, the mining and industrial building group run by Mr Jim Raper, said Mr J. Walker, Marchwiel company secretary. He declined to comment on the identity of the buyer.

Piran last month made a tender offer for Westminster shares aimed at taking its holding to 29.9 per cent from 23.61 per cent.

Mr John Blunden, company secretary of Westminster, confirmed that Piran had been successful with its tender.

"They have achieved what they set out to do although I have not seen anything official," he added.

Marchwiel retains a holding of 679,766 shares or 2.5 per cent in Westminster.

## Holec Energy buy-out

Holec Energy, a Forham, Sussex-based manufacturer of energy control equipment, has been bought out by its management with the backing of a Midlands investment trust.

Holec, now renamed Trend Controls, has been acquired by a seven-man management team headed by Mr Pierre Malony, the chairman and managing director.

Together with Sharp Unquoted Midlands Investment Trust (SUMIT), they have put up "in excess of £200,000."

The managers hold 72.5 per cent of the equity and SUMIT the rest. Holec, a publicly-quoted Dutch group based in Utrecht, decided to concentrate on its heavy electrical equipment business in the Netherlands, said Mr Andrew Vickerstaff, Trend's finance director.

Holec established its UK operation two and a half years ago. Trend now employs 35 people and expects to achieve turnover of £1.0m in the year ending December 1983. It plans to increase its previously limited export activities with emphasis on the Far East.

## COPE ALLMAN

The British Car Auctions Group has purchased 300,000 Cope Allman International shares at 71p each on behalf of the company's shareholders. The takeover, a director, now holds 100,000 ordinary shares in the company and 60,000 7 per cent preference shares (held through Super Investments). Mr B. D. Stanley, a director, holds 12 ordinary and 10 7 per cent preference shares. With sale by Super Investments of all ordinary shares, the holdings of Mr R. S. Taubman and Mr M. M. Taubman are below 5 per cent of the shares. The Holdings of Mr N. Glasman, Mrs G. Taubman and the estate of J. I. Taubman are all below 5 per cent.

## HAMMERSON

Hammerstone Property Investment announces that approval has been obtained from the Australian government treasurer for the acquisition of the mortgage and minority equity interests held by the Australian Mutual

## SHARE STAKES

More O'Ferrall-Thornthorn Trust has sold 40,000 ordinary shares reducing holding to 1,989,052 shares (7.38 per cent). Trafalgar House Nigel Essex chairman and E. D. Barkway executive share option scheme, has sold 78,482 ordinary shares and now holds 4,040,776 shares.

Tesco Stores (Holdings)—P. Temple, a director, has exercised an option over 50,000 ordinary shares.

Sainsbury's—R. T. Vyner, a director, has sold 25,758 ordinary shares.

Meyer International—Tom M. Meyer, director, sold 35,000 ordinary. E. J. Newgas director sold 6,200 ordinary.

Mention Brothers—Mr Carlton, director, sold 100,000 ordinary, reducing holding to 194,670 (1.65 per cent).

Henry Aschbacher Holdings—Mr Sykes, director, sold 85,400 ordinary, reducing holding to 684,000.

London and Provincial Shop Centres—B. S. Berwick, joint managing director, disposed of 35,000 ordinary reducing holding to 217,500 (21.78 per cent).

Unilever—Guardian Royal Exchange Assurance acquired 75,000 20 per cent 3rd cent pref ordinary increasing holding to 217,500 (21.78 per cent).

Plastic Constructors—Trustees of the Henry Aron Settlement sold 25,000 ordinary shares. Henry Aron, chairman and managing director, sold 50,000 ordinary.

Rights and Issues Investment Trusts—Energy Finance and

## Inco sees improvement in second six months

BY GEORGE MILLING-STANLEY

THE FINANCIAL performance of Canada's Inco will remain depressed in the first half of this year, but should improve significantly in the second six months, assuming better economic conditions, according to the annual report.

The struggling nickel giant said it expects a modest recovery in economic activity this year. A net loss of US\$204.2m (£136m) was recorded in 1982, when nickel demand was almost one-third lower than the peak, registered in 1979.

Inco spent US\$20m on research and development last year, down from \$23m the year before. The application of recent research boosted platinum recovery at the Ontario division by 5 per cent before the plant was closed indefinitely in July.

Spending on exploration

dropped to \$18m from \$25m in 1981. Inco disclosed that the discovery of gold deposits is a primary target, with a view to achieving some degree of diversification away from the heavy dependence on nickel.

Long-term debt at the year-end stood at \$1.13bn, marginally higher than the previous year. Interest charges absorbed a total of \$129.1m, up from \$119.8m in 1981.

Inco said it expects no material change to the write-off it took in 1981 against the value of its battery interests. At the time, the group estimated the net realisable value of the business at \$205m. Most of the operations have been sold on a piecemeal basis over the past 12 months.

A similar picture is emerging at Noranda Mines, another of Canada's leading natural re-

sources groups.

Noranda believes that a recovery in commodity prices will help the group at least to break even this year, in contrast to 1982's net loss of C\$82.9m (£48m).

Metal prices are rising faster than expected, and a sustained recovery in aluminium and timber prices will help significantly.

Noranda has cut its overheads by closing several of its base metal mines, with the remainder operating at reduced capacity. In addition, capital spending this year will be under C\$400m, less than half last year's level.

For the future, Noranda has just opened a small gold mine in California, and has its potentially exciting gold mining and milling operations in the Hemlo area of north-western Ontario.

## Japan cuts coal import prices

THE over-supply position in the world coal market has now reached the stage at which sizeable price cuts are being accepted by foreign suppliers of coal to Japan. The cuts are appearing in contracts for delivery in the fiscal year which begins next month.

U.S. suppliers are taking price reductions of between \$10 and \$12 per ton for coking coal. Prices for high volatile coal average \$55 (£35.38) per ton, down from \$60 (£37.50) per ton less than those for the year now ending.

According to industry sources, the Americans are accepting the

lower prices in order to maintain sales volumes as far as possible. Despite this, Japanese orders for fiscal 1983 are down 42m tons, says the South African Coal Owners Association, which is being similarly pressed. They have agreed to reduce 1983 prices of coking coal shipments to Japan by 22 per cent to \$44.50 per tonne. Shipments will be reduced to about 2m tonnes from 2.3m tonnes.

Inevitably these reductions will influence the current negotiations in Tokyo between the Australian coal shippers and

the Japanese importers, especially as Australian coal has already lost its competitive edge.

Last year Mr Graham Mapp, chairman of Australia's Oakbridge group, warned of the erosion of the competitive positions of Australian coal producers as a result of strikes, wage inflation and Government charges.

He said that on a cif basis, coal to the value of 1m Btu exported from South Africa to Japan had been estimated to cost the buyer about \$1.30 compared with \$2.20 for the equivalent export from Australia.

## Kidd Creek £20m deficit

LOW DEMAND and depressed prices have Canada's Kidd Creek Mines a net loss of C\$37.2m (£20m) last year, on sales of \$333.3m. The net loss in the 1982-83 fiscal year, says reports John Sogalich in Toronto.

No comparisons with previous periods are given, as Kidd Creek does not exist in its present form until last year. The company is a wholly-owned subsidiary of Canada Development Corporation, and basically comprises the metals division of the former

Terrazco of Canada.

Kidd Creek owns the big copper, zinc, silver and gold mining, milling, smelting and refining complex at Timmins in Ontario. A 40 per cent interest in the Allen potash mine in Saskatchewan and a wide-ranging hard-rock mineral exploration programme.

The company hopes for an improvement in this year's results partly because of higher metal prices, and because it will feel the full effect of cost-saving measures undertaken last year.

## Go-ahead for expansion at Mount Isa

AUSTRALIA'S NIM Holdings, which seems to be making a more rapid recovery from its recent problems than most mining companies, is to go ahead with planned expansion at the Mount Isa mine in Queensland.

Mr Bruce Watson, managing director, said that a \$54m (£34m) project to increase capacity at Mount Isa's Mica Creek power station in response to increased demand will also enable the company to proceed with future mining projects.

These projects include taking the Isa mine's deep shaft down into the 3,000 and 3,500-foot ore bodies, the Hilton tail stoping programme and further development work in the southern ore bodies.

Mr Watson said that Babcock Australia would be responsible for boiler installation at the power station, and Mitsui Australia for the supply and installation of a Toshiba generating set.

## Alhambra share placing

A PLACING on the London market of 3m shares of the U.S. Alhambra and Noranda Exploration (US\$5m) for the Delaware company which operates gold mines in California. It is acquiring for \$60m the Gold-Run alluvial gold mine.

Covering a large surface placer deposit, Gold Run's estimated mining costs are put at \$150 per ounce of gold extracted. It can

be worked at a rate of 10,000 tons of gravel per day and has a life expectancy of 30 years, it is stated.

The new shares are not registered under the U.S. Securities Act and thus cannot be sold there. Alhambra's directors intend to seek a broader market and may establish a new holding company which would seek a London listing.

## International round-up

THE DATE for a hearing on the dispute between Canada's Kidd Creek Mines and Noranda Exploration has been set for March 18. The dispute covers several key claims in the Hemlo gold district of north-west Ontario, and will be heard before the mining recorder of the Thunder Bay mining division.

Noranda said that a detailed report from the mining inspector indicates "nothing terribly wrong" with the procedures used by the group when it re-staked three claims optioned

from Gollath Gold Mines and Golden Sceptre resources.

Part of the disputed ground contains the big Golden Giant deposit, on which Noranda plans to open a mine.

Brenda Mines, controlled by Noranda Mines, lost a net C\$8.6m (£5.2m) in 1982, compared with profits of C\$4.3m in the year before.

The poor results reflected unprofitable prices for copper and molybdenum. The company did, however, manage to record a profit of C\$1m for the fourth quarter, as prices improved.

## Thai mining industry depressed

THAILAND'S mining industry, which has dropped from second to fifth place since 1980 in the ranking of the country's leading earners of foreign exchange, had another depressing year in 1982, according to figures issued by the Department of Mineral Resources.

Jonathan Sharp reports from Bangkok that exports of all ores were valued at Baht 9.7bn (£280m) last year, down by 17.8 per cent from the already depressed level of 1981.

The number of mines in operation fell 8 per cent to a total of 922, employing 35 per cent fewer workers.

Tin accounts for about four-fifths of Thailand's mineral exports, and last year's output was down 17 per cent to 35,644 tonnes. Exports fell 18 per cent to 26,000 tonnes.

Tin producers have long been complaining to the government about the royalties levied on tin production, and the charges are considerably higher than in neighbouring Malaysia.

The companies say the government is being shortsighted in maintaining heavy royalties, as they only encourage large-scale smuggling of tin ore, but the authorities have so far resisted demands for the royalties to be lowered.

## CONTRACTS

KING FAUDEVIN AND GREG BAILEY BIRKETT for the British Gas development of the Morecambe gas field. The valves, worth over £80,000, are being supplied by us on three drilling platforms. They are all Birkett WB series spring-loaded, full-nozzle, full-lift safety relief valves. Due to the demanding nature of the service fluids and the aggressive external conditions, the valve bodies are cast in corrosion resistant alloy steels or non ferrous metals.

Echo Bay Mines, which operates the new Lupin gold mine in Canada's Northwest Territories, made a net profit of C\$1.1m (£600,000) in the closing three months of 1982, reducing the loss for the full year to C\$47,000.

The company made net profits of C\$926,000 in 1981, when it derived its income from silver mining at Fort Radium, about 200 miles west of the Lupin mine.

Echo Bay, controlled by the diversified services group IUI International, said it expects a substantial increase in profits this year, with gold output at about 120,000 ounces, about 10 per cent of Echo Bay, expected to raise some C\$25m, was recently announced until the gold price stabilises.

## Senior executive to leave Thomas Cook

BY ALAN FRIEDMAN, BANKING CORRESPONDENT

MR DEREK CHAPMAN, the group managing director in charge of travellers and foreign currencies at Midland Bank's Thomas Cook subsidiary, has resigned. He is the seventh senior executive to leave Cook since last October.

Mr Chapman leaves in May and he will be replaced by Mr Michael Brockson, at present Cook's finance director.

In October Cook dismissed more than 120 staff, including six top executives, in a shake-up designed to reduce costs. Mr Alan Kennedy, chief executive of Cook, said at the time that there was no crisis, but he admitted the company was "having a difficult time."

Mr Kennedy said one major problem was the likelihood of a £2.5m provision against possible losses in connection with the collapse of a

Saudi Arabian money-changer with which Cook had been dealing.

Mr Kennedy yesterday insisted that the departure of Mr Chapman as group managing director for cheques was amicable. Mr Chapman, who has been with Cook for about four years, will be replaced by Mr Kennedy said Cook has now developed a new strategy and is placed for "recovery." He cited as an example of the new approach the group's new ties with MasterCard International, the worldwide payments systems group which is involved in the Access credit card operation in the UK.

Last night Mr Chapman said his resignation was related to Cook's new links with MasterCard. He said travellers cheque policy would be guided by MasterCard president Russell Hogg in New York and as a result "that doesn't leave a big enough challenge for me."

## British-American Tobacco finance director

Mr David G. Heywood has been appointed a director of BRITISH AMERICAN TOBACCO COMPANY. He was finance director of BAT (UK and Export), BAT's operating company responsible for the UK market and tobacco product exports from the UK. On August 1 he will become finance director for British-American Tobacco Co. (successors) to Mr N. W. Goldard, who will retire on July 31.

Steiner have been appointed associates in a corporate research consulting and financing group—all part of CLIVE STEINER ASSOCIATES.

Mr Dennis Nisbet has been appointed associate sales director of MASSTOR UK, a subsidiary of Masstor International.

Mr Andrew Gay, previously deputy managing director, has been appointed managing director of MARPLES RIDGWAY CONSTRUCTION, a Bath and Portland Group company.

Mr Roy Crabbe has been appointed managing director of WOCOM SECURITIES (EUROPE), the new-formed associate company of the Wing On Group of Hong Kong. Mr S. Y. Lee continues as managing director of Wocom Securities in Hong Kong.

Mr Ashley R. G. Raeburn, has been elected a G. Sme joins the company as managing director. Mr Sme was a director of the Crown Cork and Seal Corp. of Canada, and was executive assistant to the president.

Mr Roger Reeson has been appointed managing director of INTERNATIONAL STORES, to develop the company's fresh meat operation. He joins International



Mr Ken Davidson, managing director of Norman Frizzell UK

ALEXANDER DUCKHAM AND CO. has appointed Mr Keith Martin as divisional director, retail market. He was formerly marketing manager of Sealord Petroleum. He succeeds Mr Alf Pepper, who has taken up an overseas appointment. Mr J. Brian Hudson has been appointed divisional director, international market. He succeeds Mr Roland Berg, who has taken up an overseas appointment.

Mr Bryce Knox, at present a commissioner of Customs and Excise, is to be a deputy chairman of CUSTOMS AND EXCISE from March 7.

Wickes Europe Inc has appointed Mr Anthony H. Stafford as managing director of UK subsidiary, WICKES BUILDING SUPPLIES. He was managing director of Olympus Sports, and succeeds Mr Richard E. T. Clark, who comes chief operating officer for Wickes Europe. Mr Michael Corner is appointed local adviser and company secretary of Wickes Europe. He joins the company from Tioxide.

Mr David Hardman has been appointed deputy treasurer and director of GODFREY DAVIS EUROCAR. For the last six years he has been director, commercial operations, Godfrey Davis Europcar is a subsidiary of Europcar International.

Mr Charles L. Daly, recently a director of Ultramar, Golden Eagle and vice chairman of the International Petroleum Exchange, has been appointed managing director of L. M. FISCHER & CO. from April 1. Mr John Fischer, chairman and managing director of the company since 1968, will relinquish the position of managing director but continue as chairman.

Sir Brooks Richards has been appointed chairman of CSM EUROPEAN CONSULTANTS, a wholly-owned subsidiary of CSM Parliamentary Consultants, who succeeded the late Sir Geoffrey de Freitas. He has also been appointed a director of CSM Parliamentary Consultants. Sir Brooks was deputy secretary to the Cabinet Office.

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MARKETS  
SERVICE

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## SECTION III - INTERNATIONAL MARKETS

# FINANCIAL TIMES

Tuesday March 8 1983

Commission seeks  
fish talks with  
Canada, Page 33

## WALL STREET Need for a breather in evidence

THE WEEK opened quietly on Wall Street with both share and bond markets inclined to pause for reflection, while awaiting the outcome of the Opec meeting in London. Fundamentals remained little changed from last week, with investors confident that economic recovery is under way in the U.S. and that Opec will reach agreement on reducing oil prices in an orderly fashion, writes Terry Dyland in New York.

But a consensus is developing that share prices now need a period of consolidation, possibly bringing some downward adjustment in market indices. A report of increased industrial output, from purchasing officers at the major corporations, failed to excite equity investors.

Prices traded quietly around the levels established at the end of last week, with the Dow Jones industrial average rallying from an early fall to close at 1,141.74, a net rise of 0.78 on the day. Turnover was below last week's levels, with only some 84.4m shares traded. Although gains remained in the majority in the broader market, their majority was smaller. At the close, 387 shares showed advances while 763 declined.

In the credit markets, prices continued to ease as investors remained unsettled in their view of inflation prospects. Once again the Federal Funds rate was discouragingly high at 8% per cent, a shade above Friday's closing quotation.

The Treasury bill sector was largely unaffected by technical factors. The Federal Reserve undertook a \$1.5bn customer repurchase, which balanced out a \$1.2bn sale to customers on Friday. Market fears that the Fed may be supplying too much liquidity remained unaltered.

However, the three-month Treasury bill yielding 8.15 per cent and the six-month at 8.13 per cent were slightly firmer than on Friday night. Falls in Government bonds were under one point. The benchmark Treasury long bond, the 10% per cent of 2012, dipped to 98 1/8 per cent while at the shorter end, the 5% per cent of 1985 at 100 1/2 and the 5% per cent due 1986 were around 1/4 off.

There were some minor losses among airline and oil stocks, which featured in last week's trading.

Elsewhere AT & T finished 3/4 off at \$60 1/2 after warning of lower profits ahead. Johnson and Johnson, the retail and prescription drug group, delayed at the opening by an imbalance of orders, showed a 1/4 closing fall to \$48 1/2 after disclosing that it will take a \$20m write-off on suspending sales of Zmax, its painkilling drug.

IBM, the market's favourite stock, continued to attract a good trade and ended 3/4 up at \$103. But among the retailers, small losses left J. C. Penney at an early \$58 1/2 and Sears Roebuck at \$34 1/2.

The pattern of small profit-taking soon covered the whole of the share market.

Weakness in golds and oils in Toronto depressed the broader market which drifted lower through much of the day in relatively light trading. Base metals and minerals showed strength, however. Banks were the most resilient in aimless Montreal dealings.

## EUROPE

## Right turn brings an upturn

THE SWING to the right by West German and French voters was cause for cheer not only in the financial markets of those countries: it produced a spillover of buying enthusiasm which benefited stock and bond values on nearly all the bourses, although muted in some cases by a transfer of funds particularly into Frankfurt.

There the FAZ index reached a record 282.32, up 8.38, while the Commerzbank indicator surged 22.5 to 444.9. Turnover was also at or near its highest ever as private and professional investors alike flocked in to buy.

One dealer said: "All the stocks were in demand, even the problem children of the market." Klockner added DM 5 to DM 48 and AEG DM 3.10 to DM 58.80, both continuing their recovery from recent lows.

The vehicle, engineering, electrical, chemical, retailing and banking sectors were strongest, often showing gains extending to double figures. The only laggards were non-ferrous metals, where Degussa slipped DM 1.50 to DM 258.

Public authority bonds turned in gains of as much as 1 1/2 points but volume was more moderate. The Bundesbank was able to sell DM 60.5m in public paper against DM 34.3m on Friday.

An active trade in Paris provided widespread buying encouragement but a particular allure for the foreign sector as the franc dipped sharply. Stocks were being regarded as a more stable investment while currency dealings were showing such volatility.

L'Oréal advanced Ffr 65 to Ffr 1,200, Moët-Hennessy Ffr 36 to Ffr 893 and Michelin Ffr 25 to Ffr 820. But declines were in evidence too, notably a Ffr 49 slide by Chub Mediterranée at Ffr 530.

Amsterdam set a brisk upward pace to take Unilever Fl 6.30 higher at Fl 202, Ned Mid Bank Fl 7 at Fl 140 - as others in the sector trimmed earlier gains. Heineken, buoyed by its higher 1982 results, was Fl 6.10 ahead at Fl 127.80.

The ANP-CBS general index added 2.8 to a record 117.5. Philips, restrained ahead of an earnings announcement expected tomorrow, nonetheless improved 90 cents to Fl 38. Domestic bonds showed only narrow price movements.

Another beneficiary was Brussels, where Gevaert finished Bfr 195 better at Bfr 2,125 and Sofina 45 at Bfr 4,245. An easier bias emerged, by contrast, in Zurich as German investors took profits in time to catch their domestic markets on the way up.

Baer Holding slipped SwFr 100 to SwFr 5,275, later to announce higher profits and the acquisition by Union Bank of a 7.4 per cent stake.

Bank Len at SwFr 4,000 ex-dividend was SwFr 100 higher, while insurances were steady and industrials mixed. Domestic bonds encountered little interest.

Industrials met good demand in Milan as Fiat gained L30 to L2,800, Italcementi L300 to L38,850 and Pirelli SpA L115 to L1,710. Financials were not neglected, with a L200 rise for Banca Commerciale at L35,380 and L320 for Toro Assicurazioni at L13,700.

Treasury securities and lower-coupon straights were firmer in active bond dealings.

Strong performances emerged in Vienna, where Steyr Daimler Puch advanced Sch 5 to Sch 180, and in Oslo which featured a further Nkr 10 gain for Norsk Hydro at Nkr 302.50.

Sellers often got the upper hand in Stockholm, however, and SKR 5 declines were common to AGA at SKR 355, Asea at SKR 605 and Astra at SKR 154.50.

## SOUTH AFRICA

## Modest gains

A STEADY bullion price permitted modest upward adjustments for Johannesburg gold shares, extending to R2.25 for Doornfontein at R29.50.

Mining financials echoed the trend with 20 cent rises for Anglo-American at R20 and De Beers at R8.

Elsewhere Rustenburg Platinum advanced 35 cents to R7.15, but industrials turned in a mixed showing, unnerved in part by predictions of increased taxes as a result of the lower recent values for gold.

FULL New York prices were not available for this edition due to a technical fault. An abbreviated listing appears on Page 31.

## LONDON

## Reservations brushed swiftly aside

BUDGET hopes and mounting optimism about world economic prospects took London equities into uncharted ground yesterday. Investment buyers shrugged off Friday's reservations and committed fresh funds which soon took the FT industrial ordinary index through its all-time peak reached on February 11. The close was 5.8 up at 686.1.

Weekend reports that Opec ministers were nearing agreement on oil prices and production quotas contributed towards the firm tone. The announcement of last month's UK wholesale price indices also gave a boost to sentiment, particularly in the gilt-edged sector, where the accent remained firmly on long-dated maturities.

As a result, buyers again found government stock in short supply and long-dated issues recorded fresh gains of a quarter. The shorts, however, remained out of fashion and settled with fractional losses.

Leading shares enjoyed an early flurry of activity and many showed useful gains. Engineerings fared better than most, with GKN recording a gain of 9p to 150p and Hawker a fresh rise of 10p to 390p.

Better preliminary results than expected from Barclays lifted the banking sector. After Lloyds' disappointing start to the dividend season, Barclays jumped 25p to a 1982-83 peak of 495p while NatWest rose 15p to 550p and Lloyds 10p to 480p.

Budget hopes and the recent sharp rise in private housing starts directed fresh attention to building and construction issues.

Hopes of Opec agreement encouraged early interest in oils. British Petroleum hardened 4p to 318p and Shell a couple of pence to 420p, ahead of annual results due on Thursday. Lasso, also reporting then, firmed 5p to 240p.

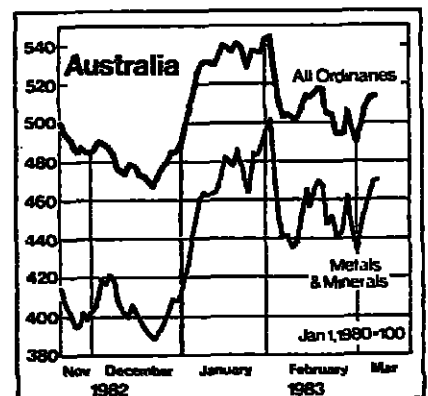
Mining markets made an encouraging start to the week. South African golds

staged a strong recovery after the unprecedented gyrations of the previous week, boosted by an improvement in the bullion price to \$421.50.

The FT gold mines index at 599.8, recouped 21.6 of Friday's near 46-point fall, and the cheaper priced issues were particularly in demand.

Financials were quietly mixed, awaiting results later this week from three leading companies. Gold Fields, due to report half-year figures tomorrow, was little changed at 497p, while in the South Africans, Gencor, reporting preliminary results on Thursday, held at £164. Amgold, due to announce 1982 figures on the same day, gave up 5% to £754.

Australians heralded the Labor victory with a steady performance, and most diversified mining companies closed with good gains. MIM rose 10p to 265p, Western Mining 8p to 245p and CRA and Peko-Wallend 5p apiece to 272p and 388p respectively. Share information service, Pages 34-35.



## AUSTRALIA

## Quiet stability

PRIOR discounting of the Labor federal election victory allowed Sydney shares to hold firm in quiet trading, supported by the healthy indicators that emerged last week for the world economy.

The All Ordinaries index added 0.9 to 513.4 and the metals and minerals marker 1.3 to 470.5, representing a recovery to around the levels at the time the elections were called. MIM gained eight cents to A\$4.30 but CSR fell 10 cents to A\$2.70.

Industrials there and in Melbourne performed well: News Corporation was one to show a 25-cent gain to A\$2.55.

## FAR EAST

## Thin layer of blue chip support

BLUE CHIPS had the best of the running on all major Far Eastern markets yesterday, but the overall tone ahead of the renewed Opec deliberations was far from assured, and speculative favourites were prone to bouts of selling.

The yen's rise aided sentiment in Tokyo, but the thin trading volume of 230m shares reflected the decision of many operators to hold to the sidelines. The Nikkei-Dow Jones market average edged up 4.13 to 8,041.16, while the stock exchange index fared proportionately better with a 1.23 rise to 592.47.

Sony gained Y50 to Y3,420, Sharp Y30 to Y1,230, Canon Y20 to Y1,160, Toyota Y9 to the Y1,000 mark and Honda Y10 to Y793. The improvements were attributed in part to an easing of margin debt run-up on the stocks since the start of the year: this had developed into a downward pressure given the exchange authorities' close monitoring of the outstanding balance on purchases.

Steels firmed but other metals, oils and properties slipped.

Government bond prices strengthened but dealers expected the large pending issues of March national bonds to subdue any substantial immediate advance.

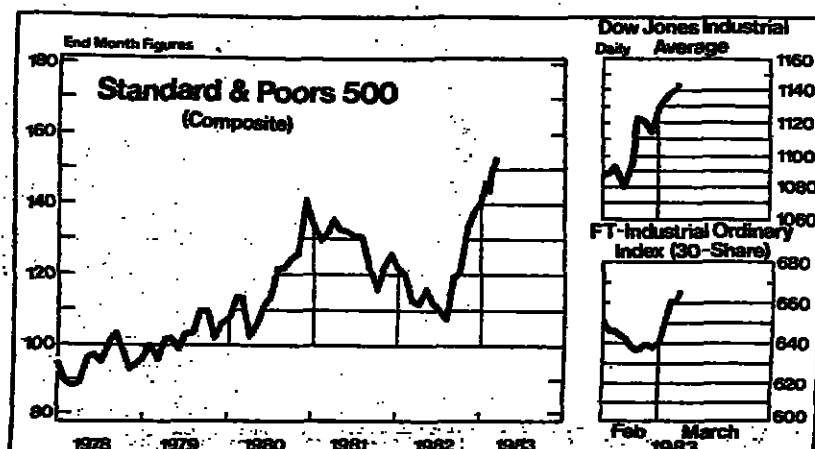
Short-covering and bargain-hunting provided a twin boost to Hong Kong, but a 28.31 rebound in the Hang Seng index - although enough to pull it back above the 1,000 barrier to close at 1,013.85 - was also achieved in thin trading.

Jardine Matheson added 40 cents to HK\$ 15.10 and Cheung Kong 25 cents to HK\$ 9.80.

Speculative buying support held up better in Singapore, as did trading volume, to produce a selectively firmer result. The Straits Times industrial index added 7.21 to 838.46, while rumours of an oil discovery lifted Promet 36 cents to S\$ 3.56.

Banks were in the forefront, benefiting from a budget tax holiday for syndicated loans.

## KEY MARKET MONITORS



## STOCK MARKET INDICES

NEW YORK	March 7	Previous	Year ago
DJ Industrials	1141.74	1140.96	807.36
DJ Transport	508.10	511.92	322.82
DJ Utilities	129.34	129.29	107.89
S&P Composite	153.67	153.57	108.34

LONDON	March 7	Prev	Year ago
FT Ind Ord	686.1	680.3	564.1
FT-A All-share	413.75	410.02	324.95
FT-A 500	447.97	443.95	344.15
FT-A Ind	422.85	419.07	318.39
FT Gold mines	599.8	578.2	216.0
FT Govt secs	80.76	80.52	68.56

TOKYO	March 7	Previous	Year ago
Nikkei-Dow	8041.16	8037.03	7285.54
Tokyo SE	582.47	581.24	543.5

AUSTRALIA	March 7	Previous	Year ago
All Ord	513.4	512.5	484.9
Metals & Mins	470.4	469.2	326.4

AUSTRIA	March 7	Previous	Year ago
Credit Aktien	50.47	49.74	53.95

BELGIUM	March 7	Previous	Year ago
Belgian SE	108.97	108.45	92.75

CANADA	March 7	Previous	Year ago
Toronto Composite	2170.0	2163.5	1600.5

FRANCE	March 7	Previous	Year ago
Montreal Industrials	368.16	368.1	281.44
Combined	380.00	358.55	268.84

DENMARK	March 7	Previous	Year ago
Copenhagen SE	129.15	121.25	96.91

GERMANY	March 7	Previous	Year ago
CAC Gen	108.8	108.1	105.4
Ind. Tendence	113.7	112.7	116.3

WEST GERMANY	March 7	Previous	Year ago
FAZ-Aktien	282.32	273.94	233.18
Commerzbank	844.9	822.3	708.2

HONG KONG	March 7	Previous	Year ago
Hang Seng	1013.85	985.54	1158.92

ITALY	March 7	Previous	Year ago
Banca Com.	207.24	203.91	203.29

NETHERLANDS	March 7	Previous	Year ago
ANP-CBS Gen	117.6	114.7	86.6
ANP-CBS Ind	102.9	101.0	69.3

NORWAY	March 7	Previous	Year ago
Oslo SE	150.07	147.88	104.09

SINGAPORE	March 7	Previous	Year ago
Straits Times	838.46	831.25	702.22

SOUTH AFRICA	March 7	Previous	Year ago
Gold	807.2	794.2	433.0
Industrial	826.1	825.0	518.4

SPAIN	March 7	Previous	Year ago
Madrid SE	closed	105.24	127.45

SWEDEN	March 7	Previous	Year ago
J & P	1299.34	1290.11	622.02

SWITZERLAND	March 7	Previous	Year ago
Swiss Bank Ind	314.4	314.8	250.7

GOLD (per ounce)	March 7	Previous	Year ago
London	\$421.50	\$412.50	\$412.50
Frankfurt	\$420.25	\$412.50	\$412.50
Zurich	\$419.50	\$412.50	\$412.50
Paris	\$427.77	\$425.86	\$425.86
New York futures (March)	\$427.00	\$417.60	\$417.60

\* Indicates latest pre-close figure

## CURRENCIES

U.S. DOLLAR	March 7	Previous	March 7	Previous
DM	1.5175	1.5125	-	-
DM	2.3910	2.4040	3.63	3.64
Yen	236	236	358 1/2	357
FFr	6.8270	6.8200	10.36	10.31 1/2
SwFr	2.0460	2.0440	3.10 1/2	3.09 1/2
Outlier	2.6390	2.6580	4.00 1/2	4.02
Lira	1414	1401	2145	2118
Bfr	47.06 1/2	47.37	71.45	71.65
CS	1.2225	1.2225	1.8555	1.8500

## INTEREST RATES

U.S. DOLLAR	March 7	Prev
3-month U.S.S.	8 1/8%	8%
6-month U.S.S.	9 1/8%	9%
U.S. Fed Funds	8%	8%
U.S. 3-month CDs	8.45	8.45
U.S. 3-month T-bills	8.16	7.93

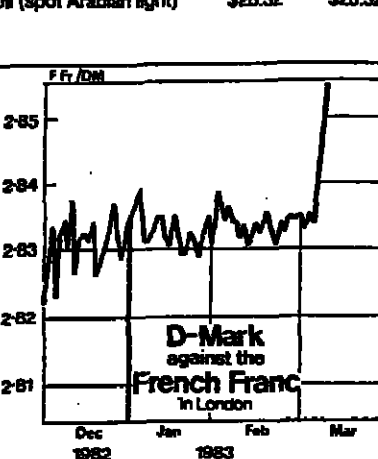
## FINANCIAL FUTURES

CHICAGO	March 7	Previous	March 7	Previous
U.S. Treasury Bonds (CBT)	76-08	75-03	76-03	77-08
U.S. Treasury Bills (TBM)	103-26	104-05	103-24	103-24
3-month Eurodollar	91.02	91.13	91.01	91.20
20-year National Gilt	103-26	104-05	103-24	103-24
3-month Sterling Deposit	89.95	89.97	89.90	89.87

## LONDON COMMODITY MARKETS

June	91.02	91.13	91.01	91.13
10-year Notional Gilt				
50,000 32nds of 100%				
June	103-26	104-06	103-24	103-24
Three-month Starting Deposit				
250,000 points of 100%				
June	89.95	89.97	89.90	89.95

LONDON COMMODITY MARKETS		
	March 7	Prev
Silver (spot fixing)	£91.50p	£89.85p
Copper (cash)	£1046.00	£1068.70
Coffee (March)	£1695.50	£1655.50
Oil (spot Arabian light)	\$29.32	\$29.32



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










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## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Fears grow of early EMS realignment

The dollar and sterling moved on to the sidelines in the foreign exchange market yesterday. The European Monetary System was at the centre of attention, with the French and Belgian francs touching their lowest permitted levels against the D-mark.

Victory by the conservative coalition in the West German general election boosted the D-mark against the weaker EMS currencies, while the Italian lira also fell sharply, increasing speculation about an early EMS realignment.

European central banks intervened to keep currencies within agreed limits, with the French franc moving particularly erratically. Intervention by the Bundesbank, selling D-marks to support other EMS members, prevented the German unit from appreciating too sharply against currencies such as the dollar and sterling.

**DOLLAR** — Trade-weighted index (Bank of England) 119.5 against 121.0 six months ago. The dollar has shown renewed strength as a safe haven for funds during a period of uncertainty about the effects of falling oil prices on other currencies. U.S. interest rates have not fallen as sharply as once expected, partly because of the high level of Federal funding. These factors are tending to outweigh the present trade position and balance of payments deficit. The dollar fell to DM 2.3810 from DM 2.4040 against the

D-mark, but was unchanged at FF 226 against the yen, and climbed to FF 6.8270 from FF 6.82 against the French franc; and to SwFr 2.0450 from SwFr 2.0440 in terms of the Swiss franc.

**STERLING** — Trading range against the dollar in 1987-88 is 1.8265 to 1.5065. February average 1.5735. Trade-weighted index 79.6 against 79.6 at noon, 73.3 at the opening, 79.6 at Friday's close, and 91.6 six months ago. Sterling has been steady in recent days, but is still weak and vulnerable because of uncertainty about world oil prices. Falling inflation, a decreasing budget deficit, and good trade figures until recently, have tended to be ignored.

Sterling opened at \$1.5185-1.5190, and traded within a fairly narrow range of \$1.5130 to \$1.5215, before closing at \$1.5170-1.5180, a rise of 1 cent on the day. The pound fell to DM 2.363 from DM 2.3810 against the

but rose to FF 10.36 from FF 10.3150; to X88.50 from X87; and to SwFr 3.1050 from SwFr 3.0950.

**D-MARK** — Trading range against the dollar in 1987-88 is 2.4940 to 2.3110. February average 2.4260. Trade-weighted index 129.9 against 135.5 six months ago. A right-wing victory in West Germany's general election was largely anticipated by much of the market, and emphasis is now likely to switch to hopes of lower German interest rates and increased straits within the EMS as pressure grows on the weaker members.

The D-mark was much stronger following Sunday's Conservative win in the general election. Pressure increased on the weaker members of the EMS with the Bundesbank selling D-marks to support the French and Belgian francs. The dollar was fixed lower despite a switch out of D-marks both on

profit-taking and corrective action within the EMS at DM 2.3920 compared with DM 2.4190 on Friday. Sterling was also lower at DM 2.3670 from DM 2.3630 while the French franc was fixed at DM 3.4895 per FF 100 down from DM 3.5245 and compared with a floor level of DM 3.45. A switch in emphasis to the French franc helped the Belgian franc recover slightly to DM 0.6750 per BF 100 from DM 0.6740.

**FRENCH FRANC** — Trading range against the dollar in 1987-88 is 7.2250 to 5.8550. February average 6.8791. Trade-weighted index 74.7 against 72.9. The French franc has come under increased pressure within the EMS since the results of the West German general election. It is now losing ground very quickly, having previously been held by high Euro-French franc interest rates and repeated intervention by several central banks. It is trading at a record low against the D-mark as speculation mounts over the possibility of an EMS realignment.

The D-mark rose to FF 2.5848 at yesterday's fixing in Paris, up from FF 2.5835 on Friday. At one point it was trading at its EMS ceiling of FF 2.5895. In addition to the outcome of the West German general election, the French franc was depressed by a sharp swing to the right in French municipal elections and the possible implications for President Mitterrand's left of centre party.

## FINANCIAL FUTURES

## Eurodollar eases

Euro-dollar prices were easier in the London International Financial Futures Exchanges yesterday. Dealers reported a much better range however with the June price opening at 103.26, eight points down from Friday's close and slipping to 91.10 before attracting good buying back up to the day's high of 91.13. But selling developed in the afternoon with the softer trend tending to lead Chicago down initially. Sentiment was affected by a higher than expected Federal Reserve rate with any sideways glance finding little encouragement from Friday's rise in U.S. money supply figures. A low of 91.01 was touched before prices stabilised at 91.02. Yesterday saw the end of trading in the March contract with prices finishing in line with the spot.

Cilt prices opened at 103.30 for June delivery and broke a 103-31 chart point after a few attempts to touch a best level of 104-06. Late selling brought values back to the day's lows however with the June price finishing at 103-26. Despite this the market gained some comfort from the steady performance although there was little reaction to favourable wholesale prices figures with some dealers suggesting a period of consolidation ahead of further downward adjustments in UK interest rates. For the time being a weakening in the U.S. bond market was probably a limiting factor with uncertainty over the continuing oil price saga also helping to cloud the issue.

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## EMS EUROPEAN CURRENCY UNIT RATES

ECU	Central bank	Current rate	% change from 1987-88	% change from 1987-88	Divergence
Belgian franc	44.7004	44.7229	-0.05	+1.17	-1.22
Dutch guilder	3.6033	3.6033	0.00	+0.00	0.00
French franc	6.5595	6.5595	0.00	+0.00	0.00
German D-mark	2.3379	2.3379	0.00	+0.00	0.00
Italian lira	1.936	1.936	0.00	+0.00	0.00
Spanish peseta	166.639	166.639	0.00	+0.00	0.00
Portuguese escudo	200.482	200.482	0.00	+0.00	0.00
Swiss franc	2.0	2.0	0.00	+0.00	0.00
Yugoslav dinar	100.0	100.0	0.00	+0.00	0.00

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times

## OTHER CURRENCIES

Mar. 7	£	\$	Yen	DM	Other
Argentina peso	193.201	95.401	81.560	61.610	25.85
Australia dollar	1.6000	1.6000	1.6000	1.6000	75.62
Canada dollar	1.0000	1.0000	1.0000	1.0000	75.62
Denmark krone	1.3600	1.3600	1.3600	1.3600	10.35
Finland markka	1.3300	1.3300	1.3300	1.3300	10.35
Greek drachma	340.750	340.750	340.750	340.750	340.75
Hong Kong dollar	10.000	10.000	10.000	10.000	10.00
Indian rupee	16.666	16.666	16.666	16.666	16.66
Iran riyal	10.000	10.000	10.000	10.000	10.00
Israeli sheqel	1.000	1.000	1.000	1.000	1.00
Japanese yen	100.000	100.000	100.000	100.000	100.00
Kuwait dinar	1.000	1.000	1.000	1.000	1.00
Libyan dinar	1.000	1.000	1.000	1.000	1.00
Luxembourg franc	1.000	1.000	1.000	1.000	1.00
Malaysian dollar	1.000	1.000	1.000	1.000	1.00
New Zealand dollar	1.000	1.000	1.000	1.000	1.00
Saudi Arabia riyal	1.000	1.000	1.000	1.000	1.00
Singapore dollar	1.000	1.000	1.000	1.000	1.00
South African rand	1.000	1.000	1.000	1.000	1.00
U.A.E. Dirham	1.000	1.000	1.000	1.000	1.00

\*Selling rates

## THE POUND SPOT AND FORWARD

Mar. 7	Day's spread	Close	One month	Three months	% p.a.
U.S.	1.5130-1.5215	1.5170-1.5180	0.33-0.38 pm	2.41 0.81-0.76 pm	2.07
Canada	1.0000-1.0000	1.0000-1.0000	0.30-0.30 pm	1.48 0.71-0.61 pm	1.42
Netherlands	4.00-4.02	4.00-4.01	2.5-2.5 pm	7.31 6.1-5.4 pm	4.38
Belgium	71.00-71.00	71.00-71.00	25-25 pm	5.04 50-50 pm	3.78
Denmark	12.36-12.36	12.36-12.36	1-2 pm	1.48 1.48 pm	1.48
Ireland	1.0000-1.0000	1.0000-1.0000	0.30-0.30 pm	3.22 0.88-1.04 pm	3.51
W. Ger.	1.0000-1.0000	1.0000-1.0000	0.30-0.30 pm	6.81 5.4-5.4 pm	5.82
Finland	1.0000-1.0000	1.0000-1.0000	0.30-0.30 pm	1.48 1.48 pm	1.48
Spain	166.639-166.639	166.639-166.639	100-100 pm	1.31 480-550 pm	10.17
Italy	2.0000-2.0000	2.0000-2.0000	22-22 pm	13.71 1.47-1.47 pm	12.12
Norway	10.00-10.00	10.00-10.00	2-2 pm	2.43 2.43 pm	2.43
France	10.32-10.32	10.32-10.32	40-40 pm	47.48 52-54 pm	20.48
Sweden	11.21-11.21	11.21-11.21	10-10 pm	0.13 0.13 pm	0.13
Switzerland	2.00-2.00	2.00-2.00	10-10 pm	0.33 34-38 pm	4.97
Austria	3.00-3.00	3.00-3.00	12-12 pm	0.75 0.75 pm	7.73

Belgian franc is a convertible franc. Financial franc 11.25-11.25 pm. 12-month forward 1.15-1.10 pm. 12-month 1.77-1.62 pm.

## EXCHANGE CROSS RATES

Mar. 7	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.518	5.20	358.5	10.36	3.105	4.008	214.5	1.856	71.45
U.S. Dollar	0.659	1	2.398	266.2	6.627	2.046	2.661	141.4	1.235	47.08
Deutsche Mark	0.275	0.418	1	98.76	8.834	0.855	1.104	580.9	0.511	19.68
Japanese Yen	2.789	4.233	10.13	1000	28.90	0.881	1.118	598.5	5.176	198.5
French Franc	0.095	1.465	5.804	846.0	10	2.997	3.868	207.0	1.791	88.97
Swiss Franc	0.332	0.466	1.169	115.5	3.537	1	1.291	690.9	0.598	23.01
Dutch Guilder	0.250	0.379	0.808	89.46	2.585	0.773	1	535.5	0.468	17.84
Italian Lira	0.100	0.150	0.400	100.0	2.850	0.008	1.000	100.0	0.008	0.32
Canada Dollar	0.539	0.818	1.956	103.2	5.568	1.775	2.180	116.6	1	88.61
Belgian Franc	1.400	2.124	5.080	501.7	14.50	4.346	5.608	300.2	5.687	100.0

## MONEY MARKETS

## London rates easier

UK clearing bank base lending rate 11 per cent (since January 12 and 13).

Interest rates maintained an easier tone on the London money market yesterday. Three-month interbank funds were unchanged at 11-11 1/2 per cent, 12-month bill at 10-10 1/2 per cent, and 18-month bill at 10-10 1/2 per cent.

The Bank of England forecast a money market credit shortage of £750m in the morning. Bills maturing in official hands and a take-up of Friday's Treasury bill tender drained £650m, while the unwinding of repurchase agreements absorbed another £270m. These were partly offset by Exchequer transactions of £50m, and a fall in the note circulation of £250m.

The forecast shortage was amended to £800m in the afternoon, and the authorities supplied total help on the day of £820m. Overnight interbank money was around 11 1/2 per cent for most of the day, but fell to 2-3 per cent at the close.

Before lunch £240m bills were purchased, including £150m bank bills, and £90m Treasury bills, at 11 per cent; £17m in band 2 (15-33 days) at 11 per cent; and

## LONDON MONEY RATES

ECU and Finance Scheme 14 Average Rate for interest period February 2 to March 1 1988 (inclusive)

Local Authorities and Finance houses seven days' notice, others seven days' notice. Long-term local authority mortgage rate nominally three years 11-11 1/2 per cent; four years 11 1/2 per cent; five years 11 1/2 per cent. Bank bill rates in table are buying rates for three months. Buying rates for four months bank bill: four months 10-10 1/2 per cent; six months 10-10 1/2 per cent; nine months 10-10 1/2 per cent; one year 10-10 1/2 per cent; two years 10-10 1/2 per cent; three years 10-10 1/2 per cent; four years 10-10 1/2 per cent; five years 10-10 1/2 per cent; six years 10-10 1/2 per cent; seven years 10-10 1/2 per cent; eight years 10-10 1/2 per cent; nine years 10-10 1/2 per cent; ten years 10-10 1/2 per cent.

Finance houses base rates (published by the Finance Houses Association) 11 1/2 per cent from March 1 1988. London and Scottish Clearing Bank Rates for lending 11 per cent. London Deposit Rates for sums to seven days' notice 8 per cent.

Treasury Bills: Average tender rate of discount 10.7233 per cent. Certificate of Tax Deposit (Series 6). Deposits of £100,000 and over held for one month 11 1/2 per cent; three months 11 1/2 per cent; six months 11 1/2 per cent; nine months 11 1/2 per cent; one year 11 1/2 per cent; two years 11 1/2 per cent; three years 11 1/2 per cent; four years 11 1/2 per cent; five years 11 1/2 per cent; six years 11 1/2 per cent; seven years 11 1/2 per cent; eight years 11 1/2 per cent; nine years 11 1/2 per cent; ten years 11 1/2 per cent.

Under £100,000: 10 per cent from March 7. Deposits held under Series 3 10 per cent. The rate for all deposits withdrawn for cash 8 1/2 per cent.

## EURO-CURRENCY INTEREST RATES

(Market closing rates)

Mar. 7

Short 7 days notice

Month

Three months

Six months

One year

Two years

Three years

Four years

Five years

Six years

Seven years

Eight years

Nine years

Ten years

Eleven years

Twelve years

Thirteen years

Fourteen years

Fifteen years

## MONEY RATES

NEW YORK

Prime rate

Fed funds (lunch-time)

Treasury bills (28-week)

Commercial paper (270-day)

Discount rate

One month

Three months

Six months

One year

Two years

Three years

Four years

Five years

Six years

Seven years

Eight years

Nine years

Ten years

Eleven years

Twelve years

Thirteen years

Fourteen years

Fifteen years

Sixteen years

Seventeen years

Eighteen years

Nineteen years

Twenty years

Twenty-one years

Twenty-two years

Twenty-three years

Twenty-four years

Twenty-five years

Twenty-six years

Twenty-seven years

Twenty-eight years

Twenty-nine years

Thirty years

Thirty-one years

Thirty-two years

Thirty-three years

Thirty-four years

Thirty-five years

Thirty-six years

Thirty-seven years

Thirty-eight years

Thirty-nine years

Forty years

Forty-one years

Forty-two years

Forty-three years

Forty-four years

Forty-five years

Forty-six years

Forty-seven years

Forty-eight years

Forty-nine years

Fifty years